

# Southwest Securities International Securities Limited

西證國際證券股份有限公司\*

Stock Code 股份代號：812

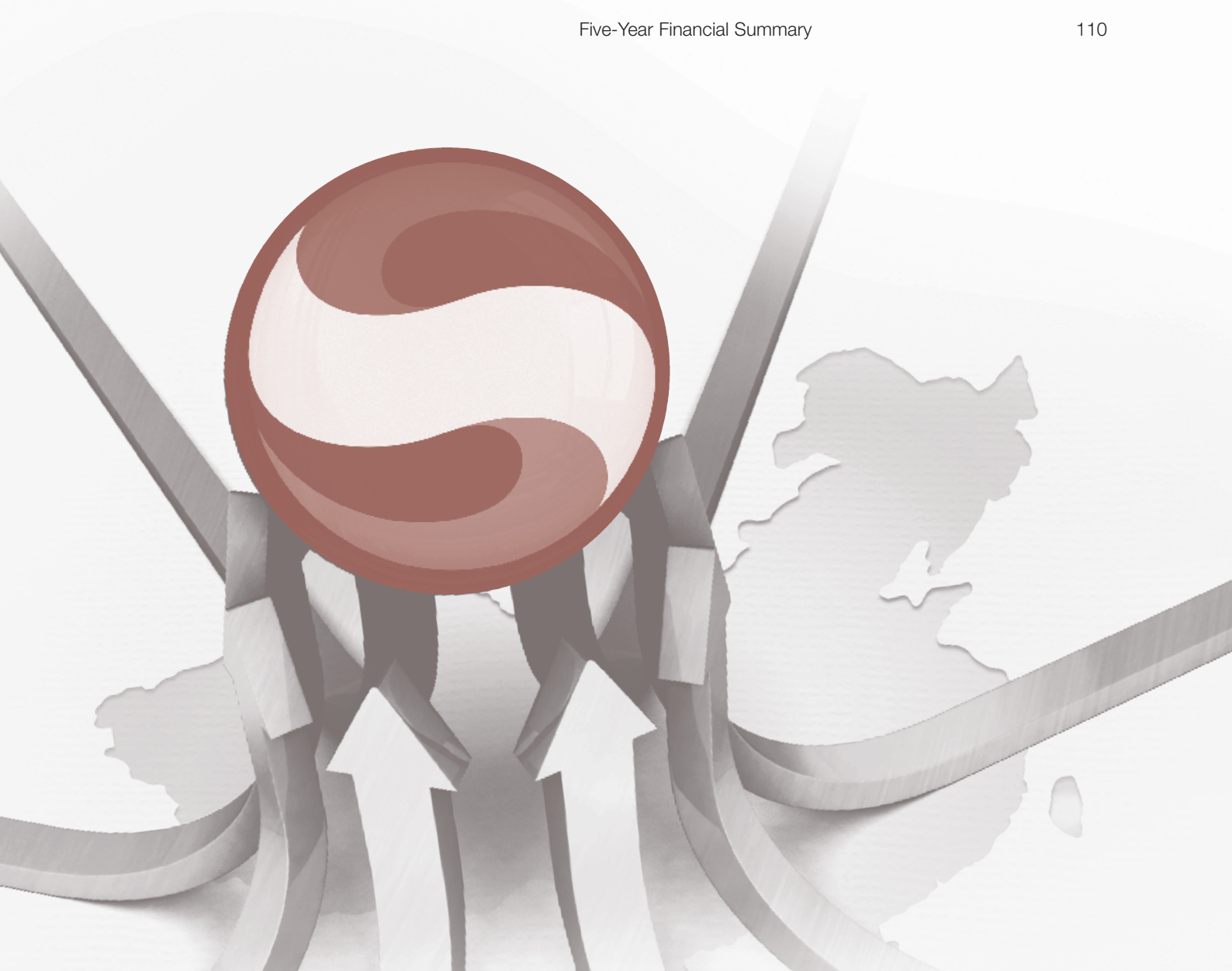
2015 Annual Report  
年報



整合共贏  
創建西證新時代

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

Mr. YU Weijia (*Chairman*)  
Mr. PU Rui (*Chief Executive Officer*)  
Mr. WU Jian  
Mr. ZHANG Chunyong  
Mr. XU Mingdi  
Ms. LIANG Yiqing

### *Independent Non-executive Directors*

Professor WU Jun  
Mr. MENG Gaoyuan  
Mr. LAM Kwok Cheong

## AUDIT COMMITTEE

Mr. MENG Gaoyuan (*Chairman*)  
Professor WU Jun  
Mr. LAM Kwok Cheong

## REMUNERATION COMMITTEE

Professor WU Jun (*Chairman*)  
Ms. LIANG Yiqing  
Mr. MENG Gaoyuan  
Mr. LAM Kwok Cheong

## NOMINATION COMMITTEE

Mr. YU Weijia (*Chairman*)  
Professor WU Jun  
Mr. MENG Gaoyuan  
Mr. LAM Kwok Cheong

## AUTHORISED REPRESENTATIVES

Mr. PU Rui  
Mr. LUO Yi

## JOINT COMPANY SECRETARIES

Mr. LUO Yi  
Miss FUNG Suk Han

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## CORPORATE INFORMATION

<b>HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG</b>	Rooms 1601, 1606-08 16/F., Central Plaza 18 Harbour Road Wanchai Hong Kong
<b>BERMUDA PRINCIPAL SHARE REGISTRAR</b>	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
<b>BRANCH SHARE REGISTRAR IN HONG KONG</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>AUDITOR</b>	Mazars CPA Limited <i>Certified Public Accountants</i> 42nd Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
<b>LEGAL ADVISER AS TO HONG KONG LAW</b>	Loong & Yeung Solicitors Suites 2001-2006, 20th Floor Jardine House 1 Connaught Place, Central Hong Kong
<b>LISTING INFORMATION</b>	The Stock Exchange of Hong Kong Limited Stock Code: 812
<b>WEBSITE</b>	<a href="http://www.swsc.hk">www.swsc.hk</a>

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Yu Weijia** (余維佳), aged 51, has been appointed as an Executive Director, the Chairman of the Board and the chairman of the Nomination Committee of the Company since 27 February 2015. Mr. Yu graduated from 成都科技大學 (Chengdu University of Science and Technology\*) (currently known as 四川大學 (Sichuan University\*)) in the People's Republic of China (the "PRC"), with a bachelor degree in Mathematics in July 1983. He obtained a master degree in Science from 華中工學院 (Huazhong Institute of Technology\*) in December 1985 and he obtained a doctorate in engineering from 天津大學 (Tianjin University\*) in October 1989. Mr. Yu served in China Merchants Securities Co., Ltd. (stock code: 600999) which is listed on the Shanghai Stock Exchange consecutively as the vice president (from March 1999 to December 2003), executive vice president (from December 2003 to September 2010), chief operating officer (from September 2010 to October 2011). He had also been the chairman of China Merchants Securities (HK) Co., Limited from January 2002 to October 2011. Mr. Yu served in 西南證券股份有限公司 (Southwest Securities Co., Ltd.\*) (stock code: 600369) ("SWSC") which is listed on the Shanghai Stock Exchange consecutively as the chief executive and the director since February 2012. Mr. Yu has been the chairman of 西證股權投資有限公司 (Southwest Securities Private Equity Investment Co., Ltd.\*) and 西證重慶股權投資基金管理有限公司 (SWSC Chongqing Investment Fund Management Co., Ltd) since June 2012 and July 2013 respectively. He is currently the chairman of Southwest Securities International Investment Limited, a substantial shareholder of the Company, and a director of 西證創新投資有限公司 (SWSC Innovation Investment Co., Ltd\*). Mr. Yu has been the chairman of 重慶證券期貨業協會 (Chongqing Securities & Futures Association\*) since November 2012. Mr. Yu has over 15 years of experience in investment, finance, fund management and securities market.

**Mr. Pu Rui** (蒲銳), aged 42, has been appointed as an Executive Director and the Chief Executive Officer of the Company since 27 February 2015. Mr. Pu obtained his master degree in economics majoring in Monetary Banking (貨幣銀行學) from 西南財經大學 (Southwestern University of Finance and Economics) in the PRC in June 1998. Mr. Pu served in 中國證券監督管理委員會四川監管局 (China Securities Regulatory Commission Sichuan Office) consecutively as deputy commissioner of the listed company supervision department one (上市公司監管一處), commissioner of the listed company supervision department two (上市公司監管二處) and commissioner of the division of investigation and enforcement department two during August 1998 to September 2012. He had also been the assistant to mayor of Suining government of the PRC during May 2007 to May 2008. Mr. Pu served in SWSC consecutively as the member of the party committee (黨委委員), assistant to chief executive (總裁助理) and vice president (副總裁) since October 2012 and he is responsible for assistant the chief executive to manage the securities sales department, credit transaction department, institutional sales department, wealth management centre and operations management department. He is currently a director and the general manager of Southwest Securities International Investment Limited, a substantial shareholder of the Company. He has abundant experience in investment, finance and securities market business.

\* For identification purpose only

## DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS (Continued)

**Mr. Wu Jian (吳堅)**, aged 50, has been appointed as an Executive Director of the Company since 27 February 2015. Mr. Wu graduated from 山西財經大學 (Shanxi University of Finance and Economics\*) in the PRC, with a bachelor degree in economics in July 1985. He graduated from MBA Institute of Chongqing University with a MBA degree in February 2001. Mr. Wu served in China Securities Regulatory Commission Chongqing Office consecutively as the deputy commissioner of division of investigation and enforcement department and commissioner of the listed company supervision department during 1997 to 2005. Mr. Wu was appointed as the deputy general manager of 重慶渝富資產經營管理集團有限公司 (Chongqing Yufu Assets Management Group Co., Ltd.\*) from December 2005 to November 2013 and he was responsible for investment management. Mr. Wu was also appointed as the chief executive of 重慶股權轉讓中心有限責任公司 (Chongqing Share Transfer Center Co., Ltd.\*) since October 2013. Mr. Wu served in SWSC as a director during December 2006 to January 2014. He was appointed as the vice president of SWSC since February 2014. He is currently a director of Southwest Securities International Investment Limited, a substantial shareholder of the Company. Mr. Wu has over 18 years of experience in investment and securities market.

**Mr. Zhang Chunyong (張純勇)**, aged 49, has been appointed as an Executive Director of the Company since 27 February 2015. Mr. Zhang obtained his bachelor degree in Medicine from 四川醫學院 in the PRC in April 1985 and obtained a master degree in Medicine from 第三軍醫大學 (Third Military Medical University\*) in the PRC in July 1989. Mr. Zhang served in 重慶市金融工作辦公室 (Chongqing Financial Services Office\*) as the commissioner of the listed companies department and securities department during July 2003 to April 2007. He was the deputy chief executive of SWSC since July 2007. He has also been a director of 西證股權投資有限公司 (Southwest Securities Private Equity Investment Co., Ltd.\*), 西證創新投資有限公司 (SWSC Innovation Investment Co., Ltd.\*) and 西證重慶股權投資基金管理有限公司 (SWSC Chongqing Investment Fund Management Co., Ltd.\*) since April 2013, March 2013 and July 2013 respectively. He has also been the chairman of 重慶西證渝富股權投資基金管理有限公司 (Chongqing SWSC Yufu Capital Equity Investment Fund Management Co., Ltd\*), 西南期貨有限公司 (Southwest Futures Co., Ltd.\*) and 重慶西證小額貸款有限公司 (Chongqing SWSC Micro-credit Co., Ltd.\*) since May 2013, December 2013 and August 2014 respectively. He is currently a director of Southwest Securities International Investment Limited, a substantial shareholder of the Company. Mr. Zhang has over 11 years of experience in finance, fund management and securities market supervision.

**Mr. Xu Mingdi (徐鳴籟)**, aged 45, has been appointed as an Executive Director of the Company since 27 February 2015. Mr. Xu obtained his bachelor degree in economics from 東北財經大學 (Dongbei University of Finance and Economics\*) in the PRC in July 1991 and completed postgraduate course in accounting from 中央財經大學 (Central University of Finance and Economics\*) in the PRC in October 2002. Mr. Xu served in SWSC consecutively as the assistant to president (總裁助理), vice president (副總裁), secretary to the board of directors (董事會秘書) since November 2001. Mr. Xu has been a director of 西證創新投資有限公司 (SWSC Innovation Investment Co., Ltd.\*) since March 2013. He is currently a director of the Southwest Securities International Investment Limited, a substantial shareholder of the Company. Mr. Xu has over 13 years of experience in securities.

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## DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS (Continued)

**Ms. Liang Yiqing** (梁一青), aged 51, has been appointed as an Executive Director and a member of the Remuneration Committee of the Company since 27 February 2015. Ms. Liang obtained her diploma in financial accounting from 重慶商學院 (Chongqing Institute of Commerce\*) in the PRC in June 1996. She completed her postgraduate studies majoring in economic management in 中國社會科學院研究生院 (Graduate School of Chinese Academy of Social Sciences\*) in the PRC in September 2002. Ms. Liang served in SWSC consecutively as the assistant to the chairman of the Labour Union (工會主席助理), general manager of party relationship human resources department (黨群人事部總經理), general manager of human resources department (人力資源部總經理), secretary to Commission for Discipline Inspection (紀律檢查委員會書記), deputy secretary of the party committee (黨委副書記) since December 1999. She has also been the supervisor of 西證股權投資有限公司 (Southwest Securities Private Equity Investment Co., Ltd.\*) and 西證重慶股權投資基金管理有限公司 (SWSC Chongqing Investment Fund Management Co., Ltd\*) since March 2010 and July 2013 respectively. She is also the chairman of supervisor committee (監事會主席) of 重慶西證渝富股權投資基金管理有限公司 (Chongqing SWSC Yufu Capital Equity Investment Fund Management Co., Ltd\*) since May 2013. She has abundant experience in human resources area.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Professor Wu Jun** (吳軍), aged 61, has been appointed as the Independent Non-executive Director and the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee of the Company since 27 January 2015. Professor Wu has been appointed as an independent director of SWSC since 16 March 2009 to present. He is also a professor in and a tutor of the Doctor of Philosophy students of Finance in 對外經濟貿易大學 (University of International Business and Economics\*) ("UIBE"). He was also appointed as an independent director in 深圳市深信泰豐(集團)股份有限公司 (Shenzhen Shenxin Taifeng Group Co. Ltd\*), whose shares are listed on the Main Board of Shenzhen Stock Exchange (Stock code: 000034) from June 2008 to June 2014 and 浙江紹興瑞豐農村商業銀行股份有限公司 (Zhejiang Shaoxing Ruifeng Rural Commercial Bank\*) from January 2011 to April 2014. Professor Wu graduated from 雲南財貿學院 (Yunnan Finance Institution\*) in July 1981 majoring in Finance, and finished his doctorate in currency and banking in 中國人民銀行總行金融研究所 (The Financial Research Institute of People's Bank of China\*) in 1995. Professor Wu has extensive knowledge in economics and finance, and has strong organizational skill. He has been engaged in teaching and research in finance in Yunnan Finance Institution, 中國金融學院 (China Finance College\*) and UIBE for 34 years. He is strong at the research skill in finance theory, its revolution and application.

**Mr. Meng Gaoyuan** (蒙高原), aged 44, has been appointed as the Independent Non-executive Director, the chairman of Audit Committee, a member of the Remuneration Committee and the Nomination Committee of the Company since 27 January 2015. Mr. Meng has been qualified as an accountant in the PRC since 1999. He has also been qualified as a certified public valuer and a registered land valuer since 1998 and 2006 respectively. Mr. Meng served in 重慶康華會計師事務所有限責任公司 (Chongqing Kanghua Certified Public Accountants\*) consecutively as a department senior manager (部門高級經理) and deputy general manager since September 1998. Mr. Meng graduated from 江西財經學院 (Jiangxi University of Finance and Economics\*) in the PRC with a Bachelor degree majoring in Finance, Accounting and Auditing in July 1994. He obtained a Master of Business Administration from 重慶理工大學 (Chongqing University of Technology\*). He has abundant experience in accounting, audit and finance.

\* For identification purpose only

## DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. Lam Kwok Cheong** (林國昌), aged 61, has been an Independent Non-executive Director of the Company since November 2013. Mr. Lam is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is a Justice of the Peace, a holder of Bronze Bauhinia Star (BBS) and a solicitor of the High Court of Hong Kong Special Administrative Region. He holds a Bachelor of Laws degree from the University of Hong Kong and has been a solicitor practicing for over 32 years. Mr. Lam is currently a member of the Buildings Ordinance Appeal Tribunal Panel, a member of the Panel of Adjudicators of Obscene Articles Tribunal, an Ex-Officio Member of Heung Yee Kuk New Territories, a Civil Celebrant of Marriages, a China appointed Attesting Officer and a fellow of The Hong Kong Institute of Directors. He is a non-executive director of Mega Medical Technology Limited (formerly known as “Wing Lee Holdings Limited” and “Wing Tai Investment Holdings Limited”) (Stock Code: 876) and an independent non-executive director of Sparkle Roll Group Limited (Stock Code: 970), of which shares of these companies are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and an independent non-executive director of Prosten Technology Holdings Limited (Stock Code: 8026), of which shares of this company are listed on the growth enterprise market (GEM) of the Stock Exchange. He was also an independent non-executive director of Mega Medical Technology Limited, Same Time Holdings Limited (now known as “GCL New Energy Holdings Limited”) (Stock Code: 451) and 21 Holdings Limited (Stock Code: 1003), shares of these companies listed on the main board of the Stock Exchange, and Sky Forever Supply Chain Management Group Limited (Stock Code: 8047), shares of which listed on the GEM of the Stock Exchange.

### SENIOR MANAGEMENT

**Mr. Luo Yi** (羅毅), aged 35, is the Vice President of the Group, Joint Company Secretary and Authorised Representative of the Company. He is currently in charge of investment banking department and market research and product development department of the Group. He was appointed as an executive director, a member of remuneration committee and executive committee of the Company for the period from 27 January 2015 to 27 February 2015. Mr. Luo graduated from Carleton University in Canada, with a Bachelor of Arts degree majoring in Economics in June 2004. He obtained a master of Arts degree from the University of Hong Kong in December 2006. He has obtained a license issued by the Securities and Futures Commission under the Securities and Futures Ordinance to carry out Type 6 Regulated Activity (Advising on Corporate Finance) since 2008, and has become a member of the Chinese People’s Political Consultative Conference of Guangzhou City since 2014. Mr. Luo had served in GF Capital (Hong Kong) Limited consecutively as the senior manager from June 2007 to August 2009. He had also served in China Merchants Securities (HK) Co., Limited as the executive director of the investment banking department from September 2009 to January 2013. Mr. Luo was appointed as the director of the institutional client department of SWSC, the controlling shareholder of the Company, from July 2013 to February 2015.

**Mr. Zhang Yi** (張弋), aged 41, is the Vice President of the Group. He is currently in charge of information technology department, legal & compliance and internal audit department and risk control department of the Group. He was appointed as an executive director and a member of executive committee of the Company for the period from 27 January 2015 to 27 February 2015. Mr. Zhang graduated from the 機電與控制工程學院 (College of Mechatronics and Control Engineering) of 深圳大學 (Shenzhen University) in the PRC majoring in Mechanic Manufacturing & Automation in July 1996. Mr. Zhang has been the vice general manager of the department of strategic development of SWSC since 2012. He was a general manager of the department of stock exchange of 西南證券深圳蛇口後海路證券營業部 (SWSC’s branch in Shenzhen Shekou Hou Hai Road).



## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT (Continued)

**Mr. Lin Peng (林芑)**, aged 49, the Vice President of the Group. He is also a director of the main subsidiaries of the Company. Mr. Lin joined the Group in October 2011. He was appointed as an executive director and a member of executive committee of the Company from 15 October 2012 to 27 January 2015. He is currently in charge of the brokerage business department of the Group. He has over 22 years' experiences in banking and finance as well as financial servicing industry. Prior to joining the Group, Mr. Lin was an executive director and the chief operating officer of Finet Group Limited, and also worked for Infocast Limited as the senior vice president and chief financial officer. Mr. Lin has served with multinational enterprises and multi-industries in China, Hong Kong and North America. He has extensive knowledge in securities trading, corporate finance, merger and acquisition, bond issuance, direct investments, and financial servicing. Mr. Lin holds a bachelor's degree in finance from Xiamen University in PRC and a master's degree in business administration from Ivey School of Business, University of Western Ontario.

**Ms. Wong Lai Ping, Vicky (黃麗萍)**, aged 55, joined the Group in June 1990. Ms. Wong is currently the Vice President of the Group and she is responsible for overseeing the Group's company secretary, human resources, administration as well as corporate communication and customer relation functions. Ms. Wong held various senior management positions, including an executive director and a member of remuneration committee of the Company from 29 June 2006 to 27 January 2015, a member of executive committee of the Company from 24 September 2008 to January 2015, and a member of nomination committee of the Company from 27 February 2012 to 27 January 2015. Ms. Wong has over 30 years of professional human resources and executive management experience. Ms. Wong obtained her master's degree in business administration from the University of Leicester, UK in 2006.

**Ms. Tam, Carrie Kar Bo (譚嘉寶)**, aged 45, is the Vice President and Financial Controller of the Group. Ms. Tam joined the Group in 2011 as the Financial Controller. She was appointed as a member of executive committee of the Company from 15 October 2012 to 27 January 2015. She is currently in charge of finance and account and settlement departments. Ms. Tam has worked for international accountancy firm and well known securities houses for over 20 years and experienced in the field of auditing and accounting in financial services industry. Ms. Tam obtained a Bachelor's Degree of Arts in Accountancy and a Master's Degree in Professional Accountancy in The Hong Kong Polytechnic University. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

**Miss Fung Suk Han (馮淑嫻)**, aged 41, is the Joint Company Secretary of the Company. She joined the Group in October 2010. Miss Fung has over 18 years' experience in company secretarial field. She is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She holds a Master Degree in Business Administration from The Open University of Hong Kong.

## CHAIRMAN'S STATEMENT

On behalf of the board of directors ("Board") of Southwest Securities International Securities Limited (the "Company"), I am pleased to present the annual report and audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 30 June 2015 (the "Reviewing Period").

During 2014/2015, stock markets in both China and Hong Kong witnessed a golden bull market run. The growth of China's economy slowed with gross domestic product growth reported to drop from 7.4% in 2014 to 7% in the first half of 2015. In response to the downward pressure on the economy, The Central People's Government of the People's Republic of China has launched various stimulus measures starting from the second half of 2014 to the beginning of 2015. Measures included further cuts of reserve requirement ratio and interest rate by The People's Bank of China (the "PBOC") and the liquidity easing of monetary policy, which has positively influenced the financial market. Stock markets in China commenced a bull market run and the Shanghai Stock Exchange Composite Index ("SSE Index") hit 5,000, reaching a level attained seven years ago, with a historic high number of market turnover.

As for the stock market in Hong Kong, the launch of the Shanghai-Hong Kong Stock Connect in November 2014 brought new opportunities to both Hong Kong and China stock markets. After the weak performance in the second half of 2014, the Hang Seng Index began an upward trend in the first half of 2015, once hitting 28,589 in April. As at 30 June 2015, the Hang Seng Index surged 3,059 or 13.2% to 26,250 during the Reviewing Period. As for financing activities, the capital market in Hong Kong continued to lead the world. In 2014, there were 122 new initial public offerings ("IPO"), the second highest in terms of proceedings. In the first half of 2015, Hong Kong has topped the world with HK\$129.4 billion being raised from IPOs.

In January 2015, Southwest Securities Co. Ltd. ("SWSC") acquired Tanrich Financial Holdings Limited, a Hong Kong listed securities firm which has been renamed Southwest Securities International Securities Limited in May 2015, tapping into the global market and becoming a brand new comer among Chinese securities firms listed in Hong Kong. As a major integrated securities firm in southwest China, SWSC provides a comprehensive range of financial products and services in both China and Hong Kong. Upon completion of the acquisition, the Group rationalised the existing operations and adjusted the operational model. With strong support from SWSC, the Group soon achieved a turnaround and the business continued to improve. During the Reviewing Period, the Group's net profit amounted to HK\$11.3 million.

## CHAIRMAN'S STATEMENT

Looking ahead, the global economy will present challenges and opportunities at the same time. On one hand, currency and economy risks of emerging markets will increase, as will geopolitical uncertainties, thus the fluctuation of the international financial market may intensify. On the other hand, major economies around the world are showing signs of recovery. As the global central banks continue with quantitative easing, macroeconomies are expected to further recover. The Chinese economy is still in a transition as state-owned enterprises continue their reforms, and the industrial structure continues to improve. The "One Belt, One Road" initiative can direct the resources from excessive capacity to overseas. As a result, capital is expected to play a major role in the process. After the Shenzhen-Hong Kong Stock Connect commences, the capital markets in both places shall further integrate. Moreover, with the online financial industry in China continues to boom, the "One Person, One Account" restriction is about to be relaxed, securities margin trading acquires the policy support, national financial reform is expected to continue. Despite the risks of volatility, domestic financial markets are expected to benefit from a number of favourable factors mentioned above. SWSC's advantageous position in the region enables it to benefit from regional economic reform policies and it can serve as a bridge of capital communication between southwest China and Hong Kong and overseas.

The year 2015 marks the Group's debut in the Hong Kong capital market. Both observing and accessing the complicated domestic and international markets, the Group is carefully analysing the situation and leveraging the strong market network and customer base of SWSC and its extensive influence in domestic markets in order to optimise its existing operations, nurture and explore new opportunities, retain and search for quality customers and secure new clients. It will also build a complete investment banking chain to help companies in southwest China implementing "Going Out" strategy. By strengthening its resource integration, capital utilisation and risk management capabilities, and optimising and nurturing manpower structure, the Group is able to innovate its business and boost its turnover to a new level.

I look forward to seeing the Group seize the opportunities and make significant contributions to the Hong Kong capital market, build an overseas platform that maintains good interaction with domestic businesses, and become the preferred partner for customers from the Greater China Region and Southeast Asia.

Last but not least, I would like to express my gratitude for the trust and support of the Board members and the entire staff. Hopefully, we can work together to boost the Group's rapid growth in the future. I also wish to express my thanks for the encouragement and trust of our business partners and shareholders.

**YU Weijia**

*Chairman*

Hong Kong, 18 September 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

During 2014/2015, The Central People's Government of the People's Republic of China ("Central Government") has continued to implement reforms to stabilise economic development against the complicated and changing global financial situation. Since the fourth quarter of 2014, The People's Bank of China ("PBOC") ratcheted up its easing measures and announced two rounds of interest rate cut to their lowest level since 2008. To ease liquidity in the market, PBOC also announced further cuts of reserve requirement ratio twice. Besides, the Central Government has accelerated approval of infrastructure projects and implemented various measures to stimulate consumption. In the first half of 2015, the Central Government's efforts in refining the fiscal and monetary policies continued to benefit China's financial markets, attracting retail investors who had lost their confidence for a long time to return to the stock market. These initiatives have led to a surge in turnover in China's stock market as it would periodically set new records from time to time. As such, the Shanghai Stock Exchange Index had rebounded to 5,000. Nevertheless, China's stock market plunged since late June of 2015 and the Hong Kong stock market followed the China's downward trend, leading to big market adjustments.

The second half of 2014 was a breakthrough year for the Hong Kong financial market with notable advances achieved. Shanghai-Hong Kong Stock Connect was launched on 17 November 2014. In late 2014, the average daily turnover of northbound trade was RMB5.6 billion, while southbound trade amounted to HK\$0.9 billion. The launch of the Shanghai-Hong Kong Stock Connect has made a material change to the landscape of the Hong Kong stock market with the potential to create a new growth era for Hong Kong stocks. As at 30 June 2015, the Hang Seng Index rose to 26,250, representing an increase of 3,059 or 13.2% during the Reviewing Period.

As for financing activities, IPO in Hong Kong remained active in 2014, with a total of 122 companies being listed and raising funds totalling HK\$232.5 billion, an increase of close to 38% when compared with 2013 and ranking second globally in terms of proceeds raised. In the first half of 2015, the fundraising market in Hong Kong continued its strong performance, with the Hong Kong Exchanges and Clearing Limited (HKEx) atop the global ranks for funds raised from IPOs. A total of 51 companies were listed and raised funds amounting to HK\$129.4 billion, a growth of 58% year-on-year. Such a positive performance has reflected the favourable investment sentiment and abundant capital in Hong Kong during the first half of 2015 as Hong Kong's capital market has also continued to attract the eyes of global investors.

## BUSINESS REVIEW

During the Reviewing Period, the Group has accelerated its pace of reformation, transforming from a traditional retail brokerage firm to a diversified financial service institution and becoming a one-stop wealth management centre. In January 2015, the Group was acquired by Southwest Securities Co., Ltd. ("SWSC"). The Company has been renamed Southwest Securities International Securities Limited in May 2015 as it has become the overseas flagship business arm of SWSC. The acquisition marked a major strategic initiative of SWSC based on the economic and industrial development in China.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW** (Continued)

SWSC is one of the major listed securities firms in China. With 109 securities branches across 28 provinces in China, it is principally engaged in investment banking, asset management, securities brokerage and proprietary trading etc. The Group is the only overseas integrated financial services (including investment banking, securities and futures brokerage, financial and asset management) platform of SWSC, as well as the overseas window company of the Chongqing Government. Thus the Group can leverage the industry position and customer base of SWSC to provide a range of cross-border financial businesses and services to foreign and domestic customers and realise the interaction between overseas and domestic business platforms so as to facilitate the joint development of the financial industry both domestically and overseas for their mutual benefit.

The Group is principally engaged in brokerage, margin financing, wealth management, insurance broking, corporate finance, proprietary trading, money lending and other businesses. For the financial year ended 30 June 2015, the Group recorded a revenue of HK\$56.2 million (2014: HK\$69.9 million), a decrease of 19.5% as compared to last year. Net profit before tax amounted to HK\$12.9 million (2014: net loss of HK\$17.6 million) as the Group achieved a business turnaround.

In May 2015, the Group successfully issued 3-year RMB denominated bonds with an aggregate principal amount of RMB1.5 billion due May 2018 at 6.45%. Proceeds of the issuance will be used for general working capital and to fund various financing businesses of the Group.

### **Brokerage, margin financing and wealth management**

Revenue generated from the Group's brokerage, margin financing and wealth management business amounted to HK\$47.0 million during the Reviewing Period, a reduction of 15.3% as compared to the same period last year (2014: HK\$55.4 million).

During the Reviewing Period, the global economy has been in a state of flux. Nevertheless, confidence of investors restored along with increasing trading volume in stock markets in China and Hong Kong driven by the launch of the Shanghai-Hong Kong Connect in the second half of 2014. For the financial year ended 30 June 2015, the average daily turnover of the Hong Kong securities market rose by 66.7% year-on-year to HK\$100 billion (2014: HK\$60 billion). To improve market competitiveness, as well as its transaction volume and market share, the Group has considerably adjusted its commission scheme to rival the average level of its industry peers. The Group's average daily turnover in Hong Kong's stock market rose by 49.7% year-on-year. However, the drop in the commission rate and the volume of futures trading has caused commissions from the brokerage business to slightly drop by 2.1% to HK\$34.0 million (2014: HK\$34.7 million). The commission income from investment-linked products and fiduciary funds has also decreased to HK\$8.4 million (2014: HK\$10.9 million), and the overall brokerage business commission level has also recorded a slight drop of 7.1% to HK\$42.3 million (2014: HK\$45.6 million).

As for margin financing business, interest income from margin financing decreased by 53.4% to HK\$4.3 million (2014: HK\$9.3 million) due to weak demand from margin clients and loan repayment by margin clients. Due to stock market volatility, the Group will review its credit policy more frequently to minimise potential risk from loan delinquency, as well as setting a tight limit on margin lending ratio.

The Group has also promoted and quickly expanded the customer base since SWSC became its major shareholder.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW** (Continued)

### **Insurance broking**

In view of the avalanche of the stringent regulations and disclosure requirement issued by insurance regulatory authorities, the sales process has lengthened and causing sales to drop. The total number of transactions generated from single premium insurance products especially for high net-worth clients has also been adversely affected. The turnover derived from insurance broking recorded a decrease of 69.7% to HK\$2.3 million (2014: HK\$7.7 million). The Group's insurance team is expanding into the China market at full speed. With SWSC's extensive resources and network in China, the Group is poised to benefit from a wider opening of the financial market in China.

### **Corporate finance**

The interest rate cut by the Central Government and downward adjustment of the reserve requirement ratio by the PBOC have spurred capital flow from China to the capital market in Hong Kong. Also, benefitting from the overall positive sentiment in China's capital market in the first half of 2015, IPO activities in Hong Kong have continued to increase.

The Group's corporate finance team has undertaken several projects as sole sponsor for IPOs, financial advisor and compliance advisor for institutional clients since its restructuring in late 2014. Meanwhile, the Group has established an equity capital market division in early 2015 to expand into the capital market business and strived to secure a range of financing projects and participate in IPO underwriting and secondary-market placing etc. The investment banking division has recorded a revenue for the year of HK\$7.2 million (2014: HK\$5.8 million), an increase of 24.2%.

The Group plans to recruit new talent to help expand the corporate finance business and other equity fund-raising exercises in the second half of the year. Backed by the strong resources and support from the parent company, the Group is to implement the resources-sharing plan by the end of the year so as to introduce leading enterprises from China to Hong Kong's capital market. The corporate finance business shows rapid growth as a result.

### **Proprietary trading**

The proprietary trading business recorded a loss of HK\$0.3 million for the Reviewing Period (2014: revenue of HK\$0.9 million). Since the second quarter of 2015, the Group has formed a professional quantitative trading team for proprietary trading, which is set to become a key business development focus. The proprietary trading business focuses on investment in Hong Kong stocks, B shares in Shanghai and Shenzhen and China concept stocks in the U.S., and would hedge against risk through derivative instruments such as index futures and options if any. The Group is positive about the prospects of the Hong Kong market as it has a relatively low valuation compared to the world, which will also enjoy the investment opportunities arising from the Shenzhen-Hong Kong Stock Connect. The proprietary investment portfolio is guided by the bottom-up investment strategy and focuses on China stocks based on valuation and industry analysis. The portfolio is expected to generate satisfactory revenue.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW** (Continued)

### **Money lending**

The Group was less active in the money lending business during the Reviewing Period. It will continue to solicit new financing business and diligently review the loan approval policy including credit terms and collateral pledging as well as considering market conditions.

### **Other income**

During the Reviewing Period, the Group's other income amounted to HK\$71.5 million (2014: HK\$1.4 million). It was mainly attributable to the disposal of certain available-for-sale financial assets of the Group during the Reviewing Period with a net income of HK\$69.4 million. The purpose of the disposal is to realise the long-term investment gain and to obtain additional cashflow. The Group also intends to use the proceeds of the disposal for general working capital.

### **Other expense**

To reduce the exchange risk, the Group entered into a cross-currency swap contract during the Reviewing Period, aiming to mitigate the exchange risk associated with the issuance of the RMB bonds. Fair value loss of about HK\$13.0 million has been recorded at the end of the Reviewing Period.

### **Future Prospects**

Looking ahead, China's economy will maintain its "New Normal" condition which characterised by slow but stabilised growth and the country's stock markets are expected to remain volatile. Amid the external uncertainties, the Group remains cautiously optimistic about the Hong Kong stock market. In light of the persistent easing of monetary policy of the PBOC, the proposed Shenzhen-Hong Kong Stock Connect and the implementation of the "One Belt, One Road" initiative, we believe that financial markets in the Mainland and Hong Kong still face new development opportunities ahead. China's Southwest region occupies a key location in the "One Belt, One Road" initiative. SWSC, the Group's parent company has a geographical advantage in the region, which is set to quicken the development pace of cross-border financial services and help local companies there to "go out and extend their business" and "come in to conduct business". As SWSC's only overseas business platform facing the new opportunities for financial development emerging from the "One Belt, One Road" initiative, the Group is keeping abreast with the latest developments, actively exploring new markets and approaching new customers, in order to grow along the lines of the "One Belt, One Road" initiative.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW** (Continued)

### **Future Prospects** (Continued)

With the increasing integration of Hong Kong and China financial markets, the competition among Chinese securities firms in Hong Kong is intensifying. As such, the Group is fully utilising the strong influence of its parent company in Mainland China to enhance its operations and innovate its business. The Group continues positive interaction with the business platform of SWSC in China, leveraging that Company's existing customer base to achieve cross-selling and explore new opportunities by providing one-stop securities, investment and financing services for customers overseas. This is a new model amidst the integration of the two places and can offer more investment choices to customers. Furthermore, the Group is to use the leading edge of investment and banking businesses of SWSC to build a complete cross-border investment banking chain, with the aim to attract companies in the southwest region to participate in listing or financing activities in Hong Kong or overseas, and attract global investment institutions to participate in the economic development of the southwest region. In addition, the Group is boosting its business development through financing tools for capital appreciation or borrowing and enhancing its capital operations. The Group is increasing the investment in networking technology and transactions systems in order to create an easy-to-use and advanced online transaction platform for investors.

With its mission of "Business Consolidation Creates a Win-Win Situation and Leads Southwest Securities into a New Era", the Group will strive to provide leading comprehensive financial products and services for customers in the Greater China Region and Southeast Asia in order to become the preferred securities firm for customers in the region.

## **FINANCIAL REVIEW**

### **Liquidity, financial resources and gearing ratio**

As at 30 June 2015, the Group had total cash and bank balances including pledge deposits of HK\$1,920.8 million (2014: HK\$78.3 million), while net current assets amounted to HK\$2,243.1 million (2014: HK\$49.9 million). The current ratio as a ratio of current assets to current liabilities was 27.3 times (2014: 1.2 times).

In January 2015, the Company issued 1,245,124,409 shares at a subscription price of HK\$0.28 each and received HK\$328.3 million after deducting the relevant outgoing expenses. In May 2015, the Company issued RMB1.5 billion Bonds due May 2018 bearing an interest of 6.45% p.a. These activities strengthened the Company's capital structure and provided very adequate cash flow to finance working capital requirement as well as any investment opportunities that may arise in the near future.

At the end of the Reviewing Period, the gearing ratio was 350.6% (2014: 115.3%). Gearing ratio represents the ratio of total borrowings to the total equity of the Group.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (Continued)

### Liquidity, financial resources and gearing ratio (Continued)

The Group monitored its capital structure in order to ensure the compliance of the capital requirements under the Securities and Futures (Financial Resources) Rules (Cap. 571N) for its licensed subsidiaries and to support the development of new business. All licensed corporations within the Group complied with their respective liquid capital requirements during the Reviewing Period and up to the date of this report.

### Banking facilities and charges on assets

As at 30 June 2015, the Group had no bank loans outstanding (2014: HK\$163.9 million) and had aggregate banking facilities of HK\$302.9 million (2014: HK\$302.9 million). The drawdown of certain banking facilities of HK\$297.4 million (2014: HK\$297.4 million) is subject to the market value of the marketable securities pledged and the margin deposits placed. The bank loans are subject to floating interest rates with reference to the costs of funds of the banks. The Group pledged certain investments in listed securities and other financial assets of HK\$36.2 million (2014: HK\$107.5 million) and fixed deposits of HK\$2.0 million (2014: HK\$2.0 million) for the facilities.

### Material acquisitions, disposals and significant investments

The Group disposed certain listed equity investments and realised a long-term investment gain of HK\$69.4 million during the Reviewing Period.

### Contingencies

The Group has no material contingent liabilities as at 30 June 2015.

### Commitments

The Group has entered into a three-year cross-currency swap agreement with a bank in the United Kingdom with initial exchange amounts of RMB1.5 billion and HK\$1.9 billion.

Pursuant to the cross-currency swap agreement, the Group is obliged to make semi-annual interest payments to the bank. The amount to be paid is calculated on the final exchange amount of HK\$1.9 billion with reference to the agreed annual rate of 4.7%. The Group in return is entitled to receive semi-annual interest on the final exchange amount of RMB1.5 billion at 6.45% per annum. Upon maturity of the cross-currency swap, the Group agrees to convert the final exchange amount of HK\$1.9 billion to RMB1.5 billion. The cross-currency swap is settled on gross basis.

### Exposure to fluctuations in exchange rates and related hedges

As at 30 June 2015, the Group has RMB exposure arising from the issuance of bonds. Considered the major operating cash flow is in Hong Kong dollars and to mitigate the relevant currency risks, the Group had entered into a three-year cross-currency swap as mentioned in the paragraph of "Commitments". The Group will continuously monitor the mitigation effect and adjust if necessary.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEE

As at 30 June 2015, the Group had a total of 67 employees. The Group operates different remuneration schemes for account executives and other supporting staff respectively. Account executives are remunerated on the basis of on-target-earning packages comprising base pay and allowances, commission and/or bonus. All supporting and general staff are also entitled to the year-end and the performance discretionary bonuses. The Company has share option schemes under which the Company may grant options to eligible persons to subscribe for shares in the Company as a long-term incentive scheme.

The Group provides training programs for the staff to enhance their skills and knowledge in products, regulations and compliance. For the Reviewing Period, the Group has conducted in-house training of 11.5 hours Continuous Professional Training hours for the licensed persons.

## FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year (2014: Nil).

## SUBSEQUENT EVENT

### Major Transaction – Subscription of Convertible Bonds

On 2 October 2015 (after trading hours), the Company and XinRen Aluminum Holdings Limited, amongst others, entered into the subscription agreement, pursuant to which XinRen Aluminum Holdings Limited has conditionally agreed to issue, and the Company has conditionally agreed to subscribe the convertible bonds in an aggregate principal amount of US\$30,000,000. As one or more of the applicable percentage ratios under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) exceed(s) 25%, the subscription constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

For further details, please refer to the announcement of the Company dated 2 October 2015.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

Good corporate governance practices improve transparency of the Company, optimize the Company's performance, and help to create a corporate environment conducive to the efficient and sustainable growth. The Company strives to maintain a sound corporate governance system which could add value to the stakeholders.

During the year ended 30 June 2015 (the "Year"), the Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules during the Year. The Company has made specific enquiry with each Director and was confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Year. Employees and consultants who are privy to price sensitive information are required to follow the Model Code.

## BOARD OF DIRECTORS

### The Board Composition

As at 30 June 2015, the Board comprises six Executive Directors and three Independent Non-executive Directors. The Board members for the Year were:–

#### *Executive Directors:*

Mr. Yu Weijia (*Chairman*) (*appointed on 27 February 2015*)  
Mr. Pu Rui (*Chief Executive Officer*) (*appointed on 27 February 2015*)  
Mr. Wu Jian (*appointed on 27 February 2015*)  
Mr. Zhang Chunyong (*appointed on 27 February 2015*)  
Mr. Xu Mingdi (*appointed on 27 February 2015*)  
Ms. Liang Yiqing (*appointed on 27 February 2015*)  
Mr. Wang Zhixian (*Chairman*) (*appointed on 27 January 2015 and resigned on 27 February 2015*)  
Mr. Luo Yi (*appointed on 27 January 2015 and resigned on 27 February 2015*)  
Mr. Zhang Yi (*appointed on 27 January 2015 and resigned on 27 February 2015*)  
Dr. Yip Man Fan (*Chairman*) (*resigned on 27 January 2015*)  
Mr. Kwok Kam Hoi (*Deputy Chairman and Chief Executive Officer*) (*resigned on 27 January 2015*)  
Mr. Tsunoyama Toru (*resigned on 27 January 2015*)  
Ms. Wong, Vicky Lai Ping (*resigned on 27 January 2015*)  
Mr. Lin Peng (*resigned on 27 January 2015*)

#### *Independent Non-executive Directors:*

Professor Wu Jun (*appointed on 27 January 2015*)  
Mr. Meng Gaoyuan (*appointed on 27 January 2015*)  
Mr. Ma, Andrew Chiu Cheung (*resigned on 27 January 2015*)  
Mr. Yu King Tin (*resigned on 27 January 2015*)  
Mr. Lam Kwok Cheong

## **BOARD OF DIRECTORS** (Continued)

### **The Board Composition** (Continued)

Further details of the current Directors are set out under the section “DIRECTORS AND SENIOR MANAGEMENT” in this report.

Directors were appointed for a specific term where Executive Directors were appointed for a period of 3 years and the Independent Non-executive Directors, namely Professor Wu Jun and Mr. Meng Gaoyuen, were appointed for a period of 3 years and Mr. Lam Kwok Cheong were appointed for 1 year. At least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at least once every three years.

During the Year, the Company arranged for appropriate cover on Directors’ and officers liability insurance policy to indemnify the Directors and officers for liabilities arising from the corporate activities. The coverage and the amount insured under such policy are reviewed annually by the Company. No legal actions were made against any of the Directors in relation to their duties performed for the Company during the Year.

The Board is responsible for directing the strategic objectives of the Group and overseeing the management of the business, with the ultimate goal of maximizing the shareholders’ value and long-term success of the Company while the day-to-day management of business and operations are delegated to the Chief Executive Officer, respective Board committees and senior management of the Group.

To the best knowledge of the Directors, there are no relationships among the Board members, including financial, business, family or other material/relevant relationships.

### **Independent Non-executive Directors**

During the Year, the Board has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in having 3 Independent Non-executive Directors (representing one-third of the Board) from time to time. The Independent Non-executive Directors, all of whom are independent of the management of the Group’s businesses, are highly experienced professionals with substantial experience in areas such as legal, accounting or financial management.

The Company has received annual written confirmation from each Independent Non-executive Director of his independence to the Group and considers that all the Independent Non-executive Directors were acting independently throughout the Year.

# CORPORATE GOVERNANCE REPORT

## **BOARD OF DIRECTORS** (Continued)

### **Directors' Continuing Professional Development**

Directors' training is an ongoing process. All Directors are encouraged to attend the seminars and courses on relevant topics when count towards Continuous Professional Development training.

Pursuant to A.6.5 of the CG Code, Directors should participated in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contributions to the board remains informed and relevant. According to the records maintained by the Company, all current Directors, namely Mr. Yu Weijia, Mr. Pu Rui, Mr. Wu Jian, Mr. Zhang Chunyong, Mr. Xu Mingdi, Ms. Liang Yiqing, Professor Wu Jun, Mr. Meng Gaoyuan and Mr. Lam Kwok Cheong, have participated in appropriate continuous professional development activities by way of attending training, reading articles, newspapers, journal and/or updates relevant to the Company's business or to the Directors' duties and responsibilities.

### **Board meetings**

The Board meets regularly for discussing and determining the strategies of the Group, setting directions and monitoring the performance of the Group. Notice of not less than 14 days are given to all Directors in writing for all regular meetings. Each Director can access to the advices and services of the Joint Company Secretaries and is invited to include any matters in the agenda of the regular meetings. Agenda and materials for discussion in the meetings are circulated to all Directors at least 3 days prior to the date of the meetings.

Directors, who have declared to have a conflict of interest in the proposed transactions or issues to be discussed, would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

Senior management may be invited to attend the meetings to make presentations and answer the Board's enquiries. All draft and finalized minutes of each meeting are circulated to all Directors for comment within reasonable time after the meeting has been held.

During the Year, the Board meetings held 5 meetings and the attendance of each Director is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman and Chief Executive Officer of the Company are currently held by Mr. Yu Weijia (“Mr. Yu”) and Mr. Pu Rui (“Mr. Pu”) respectively. The roles of Chairman and Chief Executive Officer are segregated and there are no relationships between Mr. Yu and Mr. Pu. The Chairman provides leadership for the Board and ensures that there is clear division of responsibilities at the board level. The Chief Executive Officer is responsible for overseeing the day-to-day management of the Company, supervising the businesses of the Group and ensuring that the Board committees work smoothly and effectively.

## BOARD COMMITTEES

The Company currently has three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company’s affairs. All committees have been provided with sufficient resources to discharge their respective duties and all committee members may seek external professional advices, if necessary, at the costs of the Group.

During the Year, the Executive Committee was officially dissolved with effect from 27 February 2015 and the functions and duties of the Executive Committee have been taken over by the Board.

### Audit Committee

The Audit Committee currently comprises all 3 Independent Non-executive Directors, namely Mr. Meng Gaoyuen, who acts as the chairman, Professor Wu Jun and Mr. Lam Kwok Cheong.

The duties of the Audit Committee include, inter alias, monitoring the integrity of financial statements and the accounting policies and practices, making recommendation to the Board on the appointment, re-appointment and removal of external auditors, reviewing the Company’s financial controls, internal controls and risk management systems. The Audit Committee meets at least twice a year to discuss and review the internal control, the financial information and relevant matters. The proceedings of the Audit Committee meetings are the same as the Board meetings. Terms of reference of the Audit Committee is currently available on the HKExnews website and the Company’s website.

During the Year, the Audit Committee has reviewed the audit/review planning memorandums and the results for the financial year ended 30 June 2014 and the interim period for the six months ended 31 December 2014. The Audit Committee has also reviewed and followed up the findings and recommendations of the internal controls and management letter points made by our internal audit of the Company and the external auditor, Mazars CPA Limited (“Mazars”), respectively.

# CORPORATE GOVERNANCE REPORT

## **BOARD COMMITTEES** (Continued)

### **Audit Committee** (Continued)

The Audit Committee has reviewed the financial statements for the Year together with Mazars. The Audit Committee has also reviewed the resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget at their meeting on 18 September 2015, and was satisfied with their adequacy and effectiveness.

The Audit Committee held 4 meetings during the Year and the attendance of each member is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

### **Remuneration Committee**

The Remuneration Committee currently comprises all 3 Independent Non-executive Directors, namely Professor Wu Jun, who acts as the chairman, Mr. Meng Gaoyuan and Mr. Lam Kwok Cheong, and an Executive Director, namely Ms. Liang Yiqing.

The responsibilities and authorities of the Remuneration Committee is clearly stated in its terms of reference, including but not limited to recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management and review and approval of the compensation package to the Executive Directors and the senior management. The Board together with the Remuneration Committee monitor the performance of the Executive Directors and the senior management. Such division of responsibilities ensures a balance of power. The Remuneration Committee shall meet at any time when necessary. Terms of reference of the Remuneration Committee is currently available on the HKExnews website and the Company's website.

During the Year, the Remuneration Committee has reviewed the remuneration package of all Directors and the senior management. Details of remuneration of each Director are disclosed in note 6 to the consolidated financial statements.

The Remuneration Committee held 1 meeting during the Year and the attendance of each member is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

## **BOARD COMMITTEES** (Continued)

### **Nomination Committee**

The Nomination Committee currently consists of 4 members, including an Executive Director, namely Mr. Yu Weijia, who acts the chairman, and all 3 Independent Non-executive Directors, namely Professor Wu Jun, Mr. Meng Gaoyuan and Mr. Lam Kwok Cheong.

The main duties of the Nomination Committee include, inter alia, reviewing the structure size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment and removal of directors. Terms of reference of the Nomination Committee is currently available on the HKExnews website and the Company's website.

During the Year, the then Nomination Committee had reviewed and considered the proposed appointments of Mr. Wang Zhixian, Mr. Luo Yi, Mr. Zhang Yi, Mr. Yu Weijia, Mr. Pu Rui, Mr Wu Jian, Mr. Zhang Chunyong, Mr. Xu Mingdi, Ms. Liang Yiqing as new Executive Directors, Professor Wu Jun and Mr. Meng Gaoyuan as new Independent Non-executive Directors and made related recommendations to the Board for approval. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independence of independent non-executive directors and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Nomination Committee held 2 meetings during the Year and the attendance of each member is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

### **Summary of the Board Diversity Policy**

The Company has adopted a board diversity policy (the "Board Diversity Policy") setting out the objectives and the factors to be considered for achieving the diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy and competence, and the candidates will be considered against certain objective criteria such as gender, age, cultural and educational background, ethnicity, professional qualifications, areas of experience, skill, knowledge and length of services, etc. The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the same as appropriate.



# CORPORATE GOVERNANCE REPORT

## **BOARD COMMITTEES** (Continued)

### **Executive Committee**

The Executive Committee was officially dissolved with effect from 27 February 2015. Before the dissolution of the Executive Committee, it comprised 3 members, namely Mr. Lin Peng, Ms. Wong, Vicky Lai Ping and Ms. Tam, Carrie Kar Bo. The Executive Committee held 5 meetings during the period from 1 July 2014 to 26 February 2015 and the attendance of each member is listed under the heading “ATTENDANCE SUMMARY” below on a named basis.

The Executive Committee was responsible for establishing, implementation and monitoring the Company’s strategic plans and operations of all business units of the Company to achieve the long-term and short-term business goals of the Group. It met from time to time as and when required and is accountable to the Board for the performance of all businesses. Minutes of all meetings of the Executive Committee were circulated among the Board and the businesses resolved in the Executive Committee meetings would be put forward and ratified at the next regular Board meeting.

The Executive Committee was also responsible for performing the corporate governance duties including (i) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of directors and senior management; (iii) to review and monitor the Company’s policies and practices in compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review the Company’s compliance with the CG code and disclosure in the Corporate Governance Report.

The above function and duties of the Executive Committee have been taken by the Board after the dissolution.

# CORPORATE GOVERNANCE REPORT

## ATTENDANCE SUMMARY

The following table shows the attendance of each individual member of the Board and the board committees at the regular Board meetings, the respective board committee meetings, the annual general meeting held on 17 November 2014 (“2014 AGM”) and 2 special general meetings held on 19 September 2014 (“2014 SGM”) and 2 April 2015 (“2015 SGM”) respectively during the Year:

Name of members of the Board/ the Board Committees	Note	Attendance/Number of meetings held					2014 SGM	2014 AGM	2015 SGM
		Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Executive Committee Meeting (Note (e))			
<b>Executive Directors:</b>									
Mr. Yu Weijia (Chairman)	(a)	2/2	N/A	N/A	0/0	N/A	N/A	N/A	0/1
Mr. Pu Rui (Chief Executive Officer)	(a)	2/2	N/A	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Wu Jian	(a)	2/2	N/A	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Zhang Chunyong	(a)	1/2	N/A	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Xu Mingdi	(a)	0/2	N/A	N/A	N/A	N/A	N/A	N/A	1/1
Ms. Liang Yiqing	(a)	2/2	N/A	1/1	N/A	N/A	N/A	N/A	1/1
Mr. Wang Zhixian (Chairman)	(b)	1/1	N/A	N/A	0/0	0/0	N/A	N/A	N/A
Mr. Luo Yi	(b)	1/1	N/A	0/0	N/A	0/0	N/A	N/A	N/A
Mr. Zhang Yi	(b)	1/1	N/A	N/A	N/A	0/0	N/A	N/A	N/A
Dr. Yip Man Fan (Chairman)	(c)	2/2	N/A	N/A	2/2	N/A	0/1	1/1	N/A
Mr. Kwok Kam Hoi (Deputy Chairman and Chief Executive Officer)	(c)	2/2	N/A	N/A	N/A	N/A	1/1	1/1	N/A
Mr. Tsunoyama Toru	(c)	2/2	N/A	0/0	N/A	N/A	0/1	1/1	N/A
Ms. Wong, Vicky Lai Ping	(c)	2/2	N/A	0/0	2/2	5/5	1/1	1/1	N/A
Mr. Lin Peng	(c)	2/2	N/A	N/A	N/A	5/5	1/1	1/1	N/A
<b>Independent Non-executive Directors:</b>									
Professor Wu Jun	(d)	3/3	2/2	1/1	0/0	N/A	N/A	N/A	1/1
Mr. Meng Gaoyuan	(d)	2/3	2/2	1/1	0/0	N/A	N/A	N/A	1/1
Mr. Ma, Andrew Chiu Cheung	(c)	2/2	2/2	0/0	2/2	N/A	1/1	1/1	N/A
Mr. Yu King Tin	(c)	2/2	2/2	0/0	2/2	N/A	1/1	1/1	N/A
Mr. Lam Kwok Cheong		5/5	4/4	1/1	2/2	N/A	1/1	1/1	1/1
<b>Financial Controller:</b>									
Ms. Tam, Carrie Kar Bo		N/A	N/A	N/A	N/A	5/5	N/A	N/A	N/A

### Notes:

- (a) Appointed on 27 February 2015.
- (b) Appointed on 27 January 2015 and resigned on 27 February 2015.
- (c) Resigned on 27 January 2015.
- (d) Appointed on 27 January 2015.
- (e) The Executive Committee was dissolved on 27 February 2015.

# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROL

The Legal & Compliance Department (“L&C”) is responsible for an adequate internal control system to facilitate effective and efficient operations, to protect the Group’s assets and to ensure the accuracy and reliability of the financial information that the Company employs in its business or releases to the public. The Company conducts regular reviews of the effectiveness of the Group’s internal controls. The scope of these reviews includes, amongst others, finance, operations, regulation compliance and risk management.

A Compliance Review Report and an Internal Audit Report were reviewed and considered by the Audit Committee on 18 September 2015. The compliance review covered the areas of regulatory compliance, internal control of operations and financial resources maintenance of the 6 major businesses of the Group, namely securities broking and margin financing, futures broking, wealth management, asset management, insurance agency and corporate finance services. The scope of internal audit covered the review of policies and procedures of internal functions, including accounting and financial, human resources and administration, corporate communications, customer relations, research and product development and information technology, and the compliance of the respective procedures. No material exceptions have been noted and L&C shall keep monitoring the follow up work of the minor deviations as stated in the Internal Audit Report and the Compliance Review Report.

## DIRECTORS’ RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board acknowledges the responsibility for preparing the accounts which gives a true and fair view, appropriate accounting policies are selected and applied consistently and judgment and estimates were made prudently and reasonably on a going concern basis.

The reporting responsibilities of the Company’s external auditor in relation to the financial reporting are set out under the section “INDEPENDENT AUDITOR’S REPORT” in this annual report.

## AUDITOR’S REMUNERATION

The re-appointment of Mazars as the external auditor of the Group was approved by the shareholders of the Company (the “Shareholders”) at 2014 AGM. The fee paid/payable to Mazars for audit-related assurance service and other services for the Year are set out below:–

<b>Service rendered</b>	<b>HK\$</b>
Audit-related assurance service	1,000,000
Other services	229,000
<b>Total</b>	<b>1,229,000</b>

Details of the nature and fee paid of significant non-audit service rendered are set out in note 5 to the consolidated financial statements.

## COMPANY SECRETARY

Miss Fung Suk Han (“Miss Fung”) has been appointed as the company secretary of the Company since 1 July 2013. She is a full time employee of the Company and has day-to-day knowledge of the Company’s affairs.

Mr. Luo Yi (“Mr. Luo”) has been appointed as a joint company secretary of the Company (“Joint Company Secretary”) with effect from 19 March 2015 and Miss Fung has become the other Joint Company Secretary on the same date. As announced by the Company on 19 March 2015, Mr. Luo currently does not possess the qualifications of company secretary as required under Rule 3.28 of the Listing Rules. The Company has applied, and the Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules with respect to the appointment of Mr. Luo as a Joint Company Secretary for a period of three years from 19 March 2015 to 18 March 2018 (the “Waiver Period”) on condition that the Company engages Miss Fung, to fully comply with the requirements set out under Note 1 to Rule 3.28 of the Listing Rules, to assist in Mr. Luo and enable him to acquire the relevant experience to discharge the functions of a company secretary during the Waiver Period as required under Note 2 to Rule 3.28 of the Listing Rules (the “Waiver”). The Waiver will be revoked immediately when Miss Fung ceases to be the Joint Company Secretary. The Stock Exchange may withdraw or change the Waiver if the Company’s situation changes. Upon expiry of the Waiver Period, the Company will notify the Stock Exchange to re-visit the situation. Since his appointment as a Joint Company Secretary, Mr. Luo has gained the relevant experience in the course of discharging his duties with the professional assistance of Miss Fung and has undertaken training courses to enhance his knowledge of this area. The Company has complied with Rule 3.29 of the Listing Rules since Miss Fung has undertaken no less than 15 hours of relevant professional training during the Year.

## COMMUNICATION WITH SHAREHOLDERS

The Group has been devoted to maintaining effective communications with the Shareholders and the general public with an aim to improve the transparency of the Group and to provide them with channels to appraise the position of the Group. During the Year, 2014 AGM was held and the notice of 2014 AGM was given to the Shareholders at least 20 clear business days before the meeting. The Chairman of the Board, the chairmen of the audit, remuneration and nomination committees; and other all members of the Board and the external auditor were all present at 2014 AGM to answer the questions from the Shareholders. Each substantially separate issue was dealt with in a separate resolution so that the Shareholders were able to comprehend the matter easily. 2014 SGM and 2015 SGM were held and the notices of 2014 SGM and 2015 SGM were given to the Shareholders at least 10 clear business days before the meetings.

Annual and interim reports and any significant events of the Company fall to be disclosed in the accordance with the disclosure requirements under the Listing Rules and other applicable regulatory requirements have been published in a timely manner through the websites of the Company and HKExnews.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS *(Continued)*

The Company has adopted a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness. The purpose of this policy is to ensure the Shareholders be provided with prompt and equal access to information about the Company (including but not limited to its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

## SHAREHOLDERS' RIGHTS

The Company holds an annual general meeting every year and may hold a general meeting known as a special general meeting whenever necessary. Pursuant to the Bye-laws 58 of the Company, Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner.

Proposals at Shareholders' meetings can be put forward by the members of the Company holding at the date of the submission of the proposals not less than one-tenth (10%) of such of the paid-up capital of the company as at the date of the submission carries the right of voting at general meetings of the company. The submission of the proposals must be made within 3 business days after a notice of the Shareholders' meeting have been served to all registered Shareholders by the Board. The proposals must be written and must state the objects of the proposals, and must be signed by the proposers, and mailed and deposited at Rooms 1601, 1606-08, 16/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for attention of the company secretary of the Company; and may consist of several documents in like form, each signed by one or more proposers. The Company will verify the requisition and upon confirmation that the requisition is proper and in order, the Board will update the resolutions by serving sufficient notice in accordance with the statutory requirements to all registered shareholders, provided that the proposers have deposited a sum of money reasonably sufficient to meet the Company's expenses involved in publishing supplementary circular and updating related resolutions. Alternatively, if the requisition has been verified as not in order, the proposer will be advised of this outcome and accordingly, no resolution will be updated as requested.

The Group values feedback from Shareholders on its efforts to promote transparency and foster investor relationships. Shareholders' enquiries, comments and suggestions to the Board or the Company are welcome and can be addressed to the Company Secretary by mail to Rooms 1601, 1606-08, 16/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

## INVESTOR RELATIONS

During the Year, there was no change in the Company's memorandum of association and bye-laws and these documents can be found in the websites of the Company and HKExnews.

## SOCIAL RESPONSIBILITY

The Group not only regards corporate social responsibility ("CSR") as its obligation, but also an opportunity to promote the spirit of love and care and thus has been participating in various social development programmes to improve social environment and create an inclusive and harmonious society. It has set the scope of its CSR that serves two purposes: caring for the community and protecting the environment.

In the aspect of caring for the community, the Group has been maintaining a long-term partnership with social welfare organisations to help underprivileged groups. During the Year, it served the grassroots children and elderly through different activities. In order to broaden the grassroots children's horizons, the voluntary staff brought them to "Zero Carbon Building" and taught them about environmental protection. Besides that, the staff visited the elderly, gave them festival presents and made them feel warm and tender in the "Visiting the Elderly" voluntary activity which was organised at the Dragon Boat Festival.

In addition, the Group is actively involved in the field of education and supports the future pillars of society. During the Year, it was invited by the Department of Marketing of College of Business, City University of Hong Kong to participate in the "Company Consultancy Projects", which made the students truly understand the current operating model of financial industry and the development of financial industry in Hong Kong, as well as allowed the students to put what they have learnt to good use.

The Group has been supporting charitable activities with persistent effort and was generally recognised. It was awarded as a "Heart to Heart Company" for six consecutive years, was awarded the "Caring Company Logo" for eight consecutive years and was awarded "Bronze Award for Volunteer Service (Organization)" by the Social Welfare Department.

Regarding protecting the environment, the Group devoted itself to saving energy and reducing waste, so as to advance environmental protection and awareness. It sets particular environmental targets for different departments annually, in order to meet the standards outlined by professional bodies such as "Environmental Campaign Committee". During the Year, it took part in "World Wildlife Fund's Earth Hour campaign", which encouraged its staff to turn off the non-essential lights at a specific time for the sake of energy and carbon reductions.

The efforts made by the Group to protect the environment was recognised. It was awarded as "Hong Kong Green Organisation", as well as was awarded "Class of Excellence" Wastewi\$e Label and "Class of Excellence" Energywi\$e Label.

## DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 30 June 2015.

### CHANGE OF COMPANY NAME

As approved by the shareholders at the special general meeting of the Company held on 2 April 2015, the English name of the Company has been changed from "Tanrich Financial Holdings Limited" to "Southwest Securities International Securities Limited" with effect from 14 April 2015, being the date of registration as set out in the Certificate of Incorporation on Change of Name issued by the Bermuda Registrar of Companies on 20 April 2015.

"西證國際證券股份有限公司" has been adopted as the new Chinese name of the Company to replace the existing Chinese name of the Company "敦沛金融控股有限公司" (which the Chinese name is for identification purpose only) with effect from 14 April 2015.

The Registrar of Companies in Hong Kong issued a Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company on 6 May 2015 confirming the registration of the new English name of "Southwest Securities International Securities Limited" in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 11 to the consolidated financial statements.

An analysis of the Group's performance for the year by business segment is set out in note 3 to the consolidated financial statements. The activities of the Group are mainly carried out in Hong Kong.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 42.

The Directors do not recommend the payment of a final dividend (2014: Nil).

### BUSINESS REVIEW

Business review of the Group for the year ended 30 June 2015 has been stated in Chairman's Statement on page 9 to 10 and Management Discussion and Analysis on pages 11 to 17.

### RESERVES

Movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 43 to 44 and note 36 to the consolidated financial statements respectively.

As at 30 June 2015, the reserves of the Company available for distribution to Shareholders amounted to HK\$Nil (2014: HK\$Nil).

### DONATIONS

During the year, the Group made charitable and other donations amounted to HK\$22,500 (2014: HK\$6,200).

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 9 to the consolidated financial statements.

### SHARE ISSUED

Details of the Company's shares issued during the year are set out in note 26 to the consolidated financial statements.

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 110.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 30 June 2015.



# DIRECTORS' REPORT

## DIRECTORS

The Directors who held office during the year or during the period from the end to the year up to the date of this report are:

<i>Executive Directors:</i>	Mr. YU Weijia ( <i>Chairman</i> ) ( <i>appointed on 27 February 2015</i> )
	Mr. PU Rui ( <i>Chief Executive Officer</i> ) ( <i>appointed on 27 February 2015</i> )
	Mr. WU Jian ( <i>appointed on 27 February 2015</i> )
	Mr. ZHANG Chunyong ( <i>appointed on 27 February 2015</i> )
	Mr. XU Mingdi ( <i>appointed on 27 February 2015</i> )
	Ms. LIANG Yiqing ( <i>appointed on 27 February 2015</i> )
	Mr. WANG Zhixian ( <i>Chairman</i> ) ( <i>appointed on 27 January 2015 and resigned on 27 February 2015</i> )
	Mr. LUO Yi ( <i>appointed on 27 January 2015 and resigned on 27 February 2015</i> )
	Mr. ZHANG Yi ( <i>appointed on 27 January 2015 and resigned on 27 February 2015</i> )
	Dr. YIP Man Fan ( <i>Chairman</i> ) ( <i>resigned on 27 January 2015</i> )
	Mr. KWOK Kam Hoi ( <i>Deputy Chairman and Chief Executive Officer</i> ) ( <i>resigned on 27 January 2015</i> )
	Mr. TSUNOYAMA Toru ( <i>resigned on 27 January 2015</i> )
	Ms. WONG, Vicky Lai Ping ( <i>resigned on 27 January 2015</i> )
	Mr. LIN Peng ( <i>resigned on 27 January 2015</i> )
<i>Independent Non-executive Directors:</i>	Professor WU Jun ( <i>appointed on 27 January 2015</i> )
	Mr. MENG Gaoyuan ( <i>appointed on 27 January 2015</i> )
	Mr. LAM Kwok Cheong
	Mr. MA, Andrew Chiu Cheung ( <i>resigned on 27 January 2015</i> )
	Mr. YU King Tin ( <i>resigned on 27 January 2015</i> )

In accordance with Bye-law 87 of the Company, Mr. XU Mingdi, Ms. LIANG Yiqing and Mr. LAM Kwok Cheong will, retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "AGM").

## Directors of Subsidiaries

Other than the Directors named under "DIRECTORS" above, the persons who have served on the boards of the subsidiaries of the Company during the year ended 30 June 2015 and up to the date of this report included Mr. CHAN Lee Yeung, Mr. CHEN Yu Xing, Mr. CHEUNG Yin Ling, Mr. Herbert KAHLICH, Mr. NIP Yiu Chuen, Ms. LAU, Elaine Yim Ling, Ms. LI Wai Kuen, Mr. WAN Joseph Jason and Mr. LUI Tak Yan.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Company's memorandum of association and bye-laws, subject to the statutes, every Directors shall be indemnified out of the assets of the Company against all losses and liabilities which they may sustain or incur in or about the execution of their office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Group.

## **DIRECTORS' SERVICE CONTRACTS**

Save as disclosed above, none of the Directors has entered into nor is proposing to enter into a service contract with the Company or its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

The biographical details of Directors and Senior Management are set out in the section "DIRECTORS AND SENIOR MANAGEMENT" of this report.

## **RELATED PARTY TRANSACTIONS**

The Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are set out in note 29 to the consolidated financial statements.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Save as those disclosed under "RELATED PARTY TRANSACTIONS" above, no contracts of significance in relation to the Group's businesses to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **DIRECTORS' INTERESTS IN SHARES**

As at 30 June 2015, none of the Directors, the chief executives and their associates of the Company had any interests and short positions in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities transactions by Directors of Listed Companies (the "Model Code") of the Listing Rules on the Stock Exchange.

## **EQUITY-LINK AGREEMENTS**

Apart from as disclosed in the "Share Option Scheme" below or in note 27 to the consolidated financial statements, no equity-link agreements were entered into during the year of subsisted at end of the year.

# DIRECTORS' REPORT

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the "Share Option Scheme" below and in note 27 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or children under the age of 18, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse or children under the age of 18 to acquire such rights in any other body corporate.

## SHARE OPTION SCHEMES

### 2004 Share Option Scheme

The 2004 share option scheme (the "2004 Share Option Scheme") was adopted on 30 January 2004. The summary of the 2004 Share Option Scheme is as follows:

1. The purposes of the 2004 Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, business associates and advisors and to promote the success of the Group.
2. The participants of the 2004 Share Option Scheme include all employees, executive or non-executive directors, consultants, business associates and advisors of the Company or any of its subsidiaries.
3. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.
4. Share options may be exercised in accordance with the terms of the 2004 Share Option Scheme at any time during a period not less than one year and not more than ten years from the date of grant of the relevant option.
5. No consideration for the grant of an option is required to be paid upon acceptance of the option.
6. The exercise price for the shares shall be determined by the Board of Directors, but shall not be less than the highest of (i) the closing price of each share as stated in the Stock Exchange daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares.
7. The 2004 Share Option Scheme was terminated on 12 November 2013. Options granted under the 2004 Share Option Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of 2004 Share Option Scheme.
8. The total number of shares issuable upon exercise of outstanding options are 200,000, representing 0.008% of the existing issued share capital of the Company as at the date of this report.

## SHARE OPTION SCHEMES (Continued)

### 2004 Share Option Scheme (Continued)

Details of the share options outstanding as at 30 June 2015 which have been granted under the 2004 Share Option Scheme are as follows:

	Number of shares issuable under the options			Exercise price HK\$	Grant date	Exercise Period	Closing price per share immediately before the grant date HK\$
	As at 01/07/2014 ('000)	Exercised during the year ('000)	As at 30/06/2015 ('000)				
Directors:							
Ms. WONG, Vicky Lai Ping ( <i>Note 1</i> )	600	(600)	-	0.3550	14/11/2012	14/11/2013 – 13/11/2022	0.350
Mr. LIN Peng ( <i>Note 2</i> )	600	(600)	-	0.3550	14/11/2012	14/11/2013 – 13/11/2022	0.350
Continuous contract employees	2,400	(2,400)	-	0.1675	04/01/2007	04/01/2008 – 03/01/2017	0.165
	200	-	200	0.8880	04/01/2011	04/01/2012 – 03/01/2021	0.840
	1,020	(1,020)	-	0.3550	14/11/2012	14/11/2013 – 13/11/2022	0.350
<b>Total</b>	<b>4,820</b>	<b>(4,620)</b>	<b>200</b>				

*Notes:*

- Ms. WONG, Vicky Lai Ping resigned as an Executive Director of the Company on 27 January 2015.
- Mr. LIN Peng resigned as an Executive Director of the Company on 27 January 2015.
- No share options were granted, cancelled or lapsed during the year.

# DIRECTORS' REPORT

## SHARE OPTION SCHEMES (Continued)

### 2013 Share Option Scheme

At the annual general meeting of the Company held on 12 November 2013, the shareholders of the Company approved the adoption of a new share option scheme (the "2013 Share Option Scheme"). The summary of the 2013 Share Option Scheme is as follows:

1. The purposes of the 2013 Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, business associates and advisors and to promote the success of the Group.
2. The participants of the 2013 Share Option Scheme include all employees, executive or non-executive directors, consultants, business associates and advisors of the Company or any of its subsidiaries.
3. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.
4. Share options may be exercised in accordance with the terms of the 2013 Share Option Scheme at any time during a period not less than one year and not more than ten years from the date of grant of the relevant option.
5. No consideration for the grant of an option is required to be paid upon acceptance of the option.
6. The exercise price for the shares shall be determined by the Board of Directors, but shall not be less than the highest of (i) the closing price of each share as stated in the Stock Exchange daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares.
7. The 2013 Share Option Scheme is valid and effective for 10 years from the date of adoption.
8. During the year, no share option was granted, exercised, cancelled or lapsed under the 2013 Share Option Scheme.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the persons (other than Directors and chief executive of the Company whose interests or short positions have been disclosed above) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are as follows:

### Interests in long positions in the shares of the Company

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Approximate % of holding
Southwest Securities International Investment Limited ("SSII")	1	Beneficial owner	1,803,348,822	73.87%
Southwest Securities Co. Ltd ("SWSC")	1	Interest of controlled corporation	1,803,348,822	73.87%
重慶渝富資產經營管理集團有限公司 (Chongqing Yu Fu Assets Operation Management Group Company Limited*) ("Chongqing Yu Fu")	2	Interest of controlled corporation	1,803,348,822	73.87%

#### Notes:

1. SSII is wholly-owned by SWSC. SWSC is therefore deemed, or taken to be, interested in all shares which SSII is interested for the purpose of the SFO.
2. Chongqing Yu Fu is interested in approximately 26.99% of the issued shares of SWSC. Chongqing Yu Fu is therefore deemed, or taken to be, interested in all shares which SWSC is interested (or deemed or taken to be interested) for the purpose of the SFO.

Save as disclosed above, as at 30 June 2015, the Company has not been notified of any substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under Section 336 of the SFO.

## DIRECTORS' REPORT

### SUBSCRIPTION OF NEW SHARES, CHANGE OF CONTROLLING SHAREHOLDERS AND THE MANDATORY CASH OFFERS

On 11 July 2014, SSII entered into the subscription agreement (the "Subscription Agreement") with the Company, Dr. YIP Man Fan and Mr. TSUNOYAMA Toru, pursuant to which the Company conditionally agreed to issue, and SSII conditionally agreed to subscribe for 1,245,124,409 subscription shares at the subscription price of HK\$0.28 per subscription shares (the "Subscription"). Immediately after completion of the Subscription took place on 6 January 2015, SSII were interested in 1,245,124,409 shares, representing 51.00% of the entire issued share capital of the Company, and had become the controlling shareholder of the Company. SSII was required under the Codes on Takeovers and Mergers and share repurchase to make a mandatory unconditional cash offer for all the issued shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it a price of HK\$0.58 per share and to make an offer for cancellation of all share options of the Company at a price of HK\$0.0010 per share options (the "Offers"). The Offers were closed on 27 January 2015. Having made all reasonable enquiries and to the best knowledge and belief of the Company, SSII held 1,801,330,822 shares immediately after the close of Offers on 27 January 2015. Details of the Subscription, the change of controlling shareholder and the Offers are set out in the announcements of the Company dated 15 August 2014, 6 January 2015, 27 January 2015 and the circulars of the Company dated 3 September 2014 and 6 January 2015.

### UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Change of information of the Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

- Mr. LAM Kwok Cheong was appointed as a non-executive director of Sky Forever Supply Chain Management Group Limited (stock code: 8047) with effect from 17 June 2015 and subsequently resigned as a non-executive director with effect from 28 July 2015.
- Mr. LAM Kwok Cheong was appointed as an independent non-executive director of Prosten Technology Holdings Limited (stock code: 8026) with effect from 25 June 2015.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda that would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 30 June 2015, the percentage of the Group's turnover attributable to the Group's largest client and the five largest clients in aggregate were 8.9% and 21.1% respectively. None of the Directors of the Company; or any of their associates; or any shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) has any beneficial interest in any of the Group's five largest customers.

The Group has no major supplier due to the nature of principal activities of the Group.

### PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

### AUDITOR

The consolidated financial statements for the year ended 30 June 2015 have been audited by Mazars CPA Limited ("Mazars"). Mazars will retire as auditor of the Company with effect from the conclusion of the AGM. The Board has resolved, with the recommendation of the Audit Committee, to propose the appointment of Pan-China (H.K.) CPA Limited as the new auditor at the AGM following the retirement of Mazars and to authorise the Directors to fix its remuneration will be proposed at the AGM.

By order of the Board

**YU Weijia**

*Chairman*

Hong Kong, 18 September 2015



# INDEPENDENT AUDITOR'S REPORT



To the shareholders of

**Southwest Securities International Securities Limited**

*(formerly known as Tanrich Financial Holdings Limited)*

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Southwest Securities International Securities Limited (the "Company") set out on pages 42 to 109, which comprise the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

# INDEPENDENT AUDITOR'S REPORT

## **AUDITOR'S RESPONSIBILITY** (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 30 June 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 18 September 2015

### **Chan Chi Ming Andy**

Practising Certificate number: P05132

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>	2	<b>56,245</b>	69,912
Other revenue and income	4	<b>79,427</b>	10,390
Employee benefit expenses	5	<b>(38,987)</b>	(34,196)
Depreciation		<b>(2,035)</b>	(1,356)
Commission expenses		<b>(22,534)</b>	(32,685)
Other operating expenses		<b>(45,992)</b>	(28,276)
Finance costs	5	<b>(12,996)</b>	(1,163)
Share of result of an associate		<b>(165)</b>	(251)
Share of results of joint ventures		<b>(22)</b>	(21)
<b>Profit (Loss) before tax</b>	5	<b>12,941</b>	(17,646)
Income tax expense	7	<b>(1,650)</b>	(93)
<b>Profit (Loss) for the year attributable to equity holders of the Company</b>		<b>11,291</b>	(17,739)
<b>Other comprehensive income</b>			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign subsidiaries and an associate		<b>(67)</b>	(71)
Reclassification of foreign exchange reserve upon disposal of an associate		<b>(553)</b>	–
Change in fair value of available-for-sale financial assets		<b>95,084</b>	19,062
Reclassification of investment revaluation reserve upon disposal of available-for-sale financial assets		<b>(69,437)</b>	–
<b>Other comprehensive income for the year, net of tax</b>		<b>25,027</b>	18,991
<b>Total comprehensive income for the year attributable to equity holders of the Company</b>		<b>36,318</b>	1,252
<b>Earnings (Loss) per share</b>			
– Basic (HK cents)	8	<b>0.630</b>	(1.489)
– Diluted (HK cents)	8	<b>0.629</b>	(1.489)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015

	Note	Attributable to equity holders of the Company							Total HK\$'000
		Share capital	Investment revaluation reserve	Share premium	*Capital reserve	Foreign exchange reserve	Accumulated losses	Total reserve	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2014		119,147	101,628	9,794	40,836	1,506	(109,895)	43,869	163,016
Profit for the year		-	-	-	-	-	11,291	11,291	11,291
Exchange difference on translation of financial statements of foreign subsidiaries		-	-	-	-	(67)	-	(67)	(67)
Reclassification of foreign exchange reserve upon disposal of an associate		-	-	-	-	(553)	-	(553)	(553)
Available-for-sale financial assets									
Change in fair value		-	95,084	-	-	-	-	95,084	95,084
Reclassification of investment revaluation reserve upon disposal		-	(69,437)	-	-	-	-	(69,437)	(69,437)
Other comprehensive income for the year, net of tax		-	25,647	-	-	(620)	-	25,027	25,027
<b>Total comprehensive income for the year</b>		-	25,647	-	-	(620)	11,291	36,318	36,318
<b>Transactions with equity holders:</b>									
<i>Contributions and distributions</i>									
Issue of shares under share option scheme	26	462	-	728	-	-	-	728	1,190
Issue of shares upon share subscription	26	124,512	-	203,797	-	-	-	203,797	328,309
<b>Total transactions with equity holders</b>		124,974	-	204,525	-	-	-	204,525	329,499
<b>At 30 June 2015</b>		244,121	127,275	214,319	40,836	886	(98,604)	284,712	528,833

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015

	Attributable to equity holders of the Company							
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Share premium HK\$'000	*Capital reserve HK\$'000	Foreign exchange reserve HK\$'000	Accumulated losses HK\$'000	Total reserve HK\$'000	Total HK\$'000
At 1 July 2013	119,147	82,566	9,794	40,836	1,577	(92,156)	42,617	161,764
Loss for the year	-	-	-	-	-	(17,739)	(17,739)	(17,739)
Exchange difference on translation of financial statements of foreign subsidiaries and an associate	-	-	-	-	(71)	-	(71)	(71)
Available-for-sale financial assets								
Change in fair value	-	19,062	-	-	-	-	19,062	19,062
Other comprehensive income for the year, net of tax	-	19,062	-	-	(71)	-	18,991	18,991
Total comprehensive income for the year	-	19,062	-	-	(71)	(17,739)	1,252	1,252
At 30 June 2014	119,147	101,628	9,794	40,836	1,506	(109,895)	43,869	163,016

\* The capital reserve of the Company and its subsidiaries (the "Group") represents the difference between the nominal value of the shares issued by the Company for the acquisition of the subsidiaries and the nominal value of the ordinary shares of these subsidiaries in issue as at 30 June 2001 which were converted into deferred non-voting share capital on 11 January 2002.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	4,913	4,854
Intangible assets	10	–	100
Interests in an associate		–	670
Interests in joint ventures		–	878
Available-for-sale financial assets	12	128,558	102,911
Other non-current assets	13	6,471	3,578
Loans and advances		68	106
		<b>140,010</b>	113,097
<b>Current assets</b>			
Loans and advances		115	85
Financial assets at fair value through profit or loss	14	190,756	5,873
Other financial assets	15	–	7,663
Accounts receivable	16	210,126	188,757
Deposits, prepayments and other receivables	17	6,629	5,971
Pledged deposits	18	2,026	2,017
Cash and bank balances	18	1,918,761	76,323
		<b>2,328,413</b>	286,689
<b>Current liabilities</b>			
Amount due to a related company	19	–	24,000
Interest-bearing borrowings	20	–	163,900
Derivative financial liabilities	21	12,971	–
Accounts payable	22	44,160	31,093
Other payables and accrued charges	23	26,410	17,684
Tax payable		1,743	93
		<b>85,284</b>	236,770
<b>Net current assets</b>		<b>2,243,129</b>	49,919
<b>Total assets less current liabilities</b>		<b>2,383,139</b>	163,016
<b>Non-current liabilities</b>			
Bonds payable	24	1,854,306	–
<b>NET ASSETS</b>		<b>528,833</b>	163,016
<b>Capital and reserves</b>			
Share capital	26	244,121	119,147
Reserves		284,712	43,869
<b>TOTAL EQUITY</b>		<b>528,833</b>	163,016

Approved and authorised for issue by the Board of Directors on 18 September 2015 and signed on its behalf by

Yu Weijia  
Director

Pu Rui  
Director

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit (Loss) before tax		12,941	(17,646)
Impairment of goodwill		100	–
Depreciation		2,035	1,356
(Gain) Loss on disposal of property, plant and equipment		(2)	4
Fair value change on derivative financial liabilities		12,971	–
Gain on disposal of available-for-sale financial assets			
– listed equity securities		(69,437)	–
Loss on disposal of available-for-sale financial assets			
– unlisted equity securities		–	56
Loss on other financial assets upon maturity		1,394	–
Reversal of allowance for doubtful debts, net		(1,456)	(1,270)
Bad and doubtful debts written off		–	2,077
Gain on deemed disposal of an associate		(82)	(167)
Gain on disposal of an associate		(545)	–
Share of result of an associate		165	251
Share of results of joint ventures		22	21
Exchange difference		702	7
Interest income		(1,997)	(1,772)
Interest expenses		12,996	1,163
Dividend income		(3,738)	(2,733)
Changes in working capital:			
Other non-current assets		(2,893)	(11)
Loans and advances		8	18,398
Financial assets at fair value through profit or loss		(184,883)	1,211
Accounts receivable		(19,913)	(107,655)
Deposits, prepayments and other receivables		(658)	3,512
Short-term loan for margin financing		(187,900)	115,400
Accounts payable		13,067	22,309
Other payables and accrued charges		(2,545)	6,487
Cash (used in) generated from operations		(419,648)	40,998
Hong Kong Profits Tax paid		–	–
Interest received		1,997	1,772
Interest paid		(1,153)	(1,163)
<b>Net cash (used in) from operating activities</b>		<b>(418,804)</b>	<b>41,607</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Proceeds from obtaining control of subsidiaries, net of cash and cash equivalents acquired		1,091	–
Proceeds from disposal of an associate		514	–
Proceeds from other financial assets upon maturity		7,729	–
Payments made on other financial assets		(1,460)	(1,765)
Dividend received		3,738	2,733
Proceeds from cross-currency swap		1,853,032	–
Payments made on cross-currency swap		(1,853,032)	–
Proceeds from disposal of available-for-sale financial assets		69,437	15
Purchase of property, plant and equipment		(2,094)	(4,962)
Proceeds from disposal of property, plant and equipment		2	–
<b>Net cash from (used in) investing activities</b>		<b>78,957</b>	<b>(3,979)</b>
<b>FINANCING ACTIVITIES</b>			
Change in ownership interest in subsidiaries		(235)	–
Proceeds from issue of shares under share option schemes		1,190	–
Proceeds from issue of shares upon share subscription		348,635	–
Payment of transaction costs on issue of shares upon share subscription		(20,326)	–
Proceeds from issue of bonds		1,872,659	–
Payment of transaction costs on issue of bonds		(19,627)	–
<b>Net cash from financing activities</b>		<b>2,182,296</b>	<b>–</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,842,449</b>	<b>37,628</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>78,340</b>	<b>40,822</b>
Effect on exchange rate changes		(2)	(110)
<b>Cash and cash equivalents at end of year</b>	18	<b>1,920,787</b>	<b>78,340</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## CORPORATE INFORMATION

Southwest Securities International Securities Limited (the “Company”) is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Upon the completion of the shares subscription on 6 January 2015, Southwest Securities International Investment Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Southwest Securities Co., Ltd. (“SWSC”), acquired approximately 51% of the aggregate issued share capital of the Company and SWSC then became the ultimate holding company of the Company. SWSC is incorporated in the People’s Republic of China (the “PRC”) with limited liability and the shares of which are listed on the Shanghai Stock Exchange (“SSE”).

With effect from 14 April 2015, the name of the Company was changed from Tanrich Financial Holdings Limited to Southwest Securities International Securities Limited.

## 1. PRINCIPAL ACCOUNTING POLICIES

### Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the Hong Kong Companies Ordinance (the “Ordinance”).

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 consolidated financial statements except for the adoption of the following new/revised HKFRSs effective from the current year that are relevant to the Group. A summary of the principal accounting policies adopted by the Group is set out below.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Adoption of new/revised HKFRSs

#### *Annual Improvements Project: 2010 – 2012 Cycle*

The amendments relevant to the Group include the followings.

#### (1) HKFRS 2 Share-based Payment

The amendments add definitions for “performance condition” and “service condition” which were previously part of the definition of “vesting condition” and update the definitions of “vesting condition” and “market condition”. It specifies in the definition of performance condition that a vesting condition requires specified performance target to be met. A performance target can be defined not only by reference to the operations (or activities) of the entity or the price (or value) of its equity instruments, but also the operations (activities) of another entity in the same group or the price (or value) of the equity instruments of that entity. Further, the performance target can also be related to the performance of the entity as a whole or a part of it or the group, including a division or an individual employee. The period for achieving the performance target shall not extend beyond the end of the service period but may start before (provided not substantially before the commencement of) the service period. These amendments do not have significant impact on the consolidated financial statements.

#### (2) HKFRS 3 Business Combinations

These amendments delete the reference to “other applicable HKFRSs” in the classification requirements in HKFRS 3 for contingent consideration in a business combination. All non-equity contingent consideration shall be measured at fair value at the end of each reporting period. Changes in the fair value that are not measurement period adjustments shall be recognised in profit or loss. These amendments do not have significant impact on the consolidated financial statements.

#### (3) HKFRS 8 Operating Segments

HKFRS 8 is updated as follows:

- a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.
- b) It is clarified that the reconciliation of the total reportable segments’ assets to the entity’s assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

These amendments do not have significant impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Adoption of new/revised HKFRSs (Continued)

#### *Annual Improvements Project: 2010 – 2012 Cycle (Continued)*

##### (4) HKFRS 13 Fair Value Measurement

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity's ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial. These amendments do not have significant impact on the consolidated financial statements.

##### (5) HKAS 24 Related Party Disclosures

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the "management entity") to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed. These amendments do not have significant impact on the consolidated financial statements.

#### *Annual Improvements Project: 2011 – 2013 Cycle*

The amendment relevant to the Group includes the followings.

##### (1) HKFRS 3 Business Combinations

HKFRS 3 is amended to exclude from its scope the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangements themselves. These amendments do not have significant impact on the consolidated financial statements.

##### (2) HKFRS 13 Fair Value Measurement

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32. These amendments do not have significant impact on the consolidated financial statements.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Impact of the amendments to Appendix 16 to the Listing Rules**

In April 2015, the Stock Exchange revised Appendix 16 to the Listing Rules to introduce various changes to its disclosure requirements to align the requirements for disclosure of financial information in Appendix 16 with reference to the disclosure provisions in the Hong Kong Companies Ordinance (Cap. 622) and streamline the disclosure requirements and remove duplications under HKFRSs. The Group has early adopted these amendments, as a result, there are changes to the presentation and disclosures of certain information as compared with the 2014 consolidated financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

### **Basis of measurement**

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for certain available-for-sale financial assets and financial assets and liabilities at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

### **Basis of consolidation**

The consolidated financial statements comprise financial statements of the Company and all of its subsidiaries as at 30 June each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

### *Changes in ownership interest*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, the investments in subsidiaries are stated at cost less impairment losses. The carrying amounts of the investments are reduced to their recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but no control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Group's investment in associate or joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Associates and joint ventures (Continued)

If an investment in a joint venture becomes an investment in an associate or vice versa, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence or joint control, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence or joint control is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be an associate or joint venture is regarded as the fair value on initial recognition as a financial asset.

### Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of subsidiary is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	Over the unexpired term of lease
Furniture, fixtures and office equipment	5 years
Computer equipment	3 years

### Other intangible assets

The Group holds two trading rights on the Stock Exchange and two trading rights on The Hong Kong Futures Exchange Limited (the "Futures Exchange"). One trading right on the Stock Exchange was purchased during the year ended 30 June 2003 while the remaining three trading rights are recorded at zero book value. The useful life of the trading right acquired in 2003 is estimated to be ten years, and its cost had been fully amortised.

### Financial instruments

#### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or it expires.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Classification and measurement*

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

#### 1) Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include those held for trading and those designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets.

Financial assets or financial liabilities are classified as held for trading if they are (i) acquired or incurred principally for the purpose of selling or repurchasing in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets or financial liabilities are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy.

#### 2) Loans and receivables

Loans and receivables including accounts and other receivables, loans and advances, pledged deposits and cash and bank balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Classification and measurement (Continued)*

#### 3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

#### 4) Financial liabilities at amortised cost

The Group's financial liabilities include accounts and other payables, amount due to a related company, derivative financial liabilities, interest-bearing borrowings and bonds payable. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

#### 5) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within other payables and accrued charges at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of (i) the amount initially recognised, less accumulated amortisation, and (ii) the amount of the provision, if any, that is required to settle the commitment at the end of the reporting period.

#### *Impairment of financial assets*

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the accounts receivable and loans receivable are considered uncollectible, it is written off against the allowance account.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Financial instruments** (Continued)

#### *Impairment of financial assets* (Continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss where there is objective evidence that the asset is impaired and is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate.

If in a subsequent period, an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale financial instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

### **Trust accounts**

Trust accounts maintained by the Group to hold clients' monies are treated as off-statement of financial position items and offset against accounts payable.

### **Cash equivalents**

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For classification in the consolidated statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted to use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

*Commission income on dealing in securities, futures contracts and options* is recognised on the transaction dates when the contracts are executed.

*Commission income on sale of unit trusts, investment-linked and insurance products* is recognised in the period when services are rendered.

*Underwriting commission income, sub-underwriting commission income, placing commission income and sub-placing commission income* are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed.

*Corporate finance advisory fees* are recognised when the services are rendered and on the basis of the stage of completion of each individual project.

*Insurance broking fees and investment immigration consulting services fees* are recognised when the services are rendered.

*Net income from sale of investments held for trading* are recognised on the transaction date for realised profit or loss whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period.

*Dividend income* from investments is recognised when the Group's rights to receive payment have been established.

*Interest income* from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is also the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Foreign currency translation (Continued)

The results and financial position of all the Group entities that have a functional currency different from the presentation currency (“foreign operations”) are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at that end of the reporting period;
- Income and expenses for each statement of comprehensive income are translated at average exchange rate;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group’s net investment in a foreign operation are recognised as a separate component of equity.
- Upon disposal of a foreign operation, which includes a disposal of the Group’s entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

### Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, other intangible assets, certain available-for-sale financial assets and other non-current assets may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Impairment of non-financial assets** (Continued)

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

### **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalised as part of the cost of those assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

### **Employee benefits**

#### *Short term employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

#### *Defined contribution plans*

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

#### *Long service payments*

The Group's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of the parent of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

#### *Key sources of estimation uncertainty*

##### 1) Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers are to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of the reporting period, the carrying amount of accounts receivable after provision for impairment amounted to HK\$210,126,000 (2014: HK\$188,757,000).

##### 2) Impairment of investments and receivables

The Group assesses annually if investments in subsidiaries have suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the entities and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

##### 3) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Based on the management's impairment test as at 30 June 2015, the carrying amount of the cash-generating unit exceeded its recoverable amount and this resulted in full impairment of goodwill. Further details are given in note 10 to the consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Critical accounting estimates and judgements (Continued)

#### Key sources of estimation uncertainty (Continued)

#### 4) Fair value estimation

The Group's derivative financial liabilities have been valued based on the discounted cash flow which is the estimated amount that the issuer would receive or pay to terminate the cross-currency swap agreement at the end of the reporting period, taking into account observable interest rates and exchange rates. The fair value of the derivative financial liabilities at the end of the reporting period was HK\$12,971,000 (2014: nil).

### Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to HKASs 16 and 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to HKASs 16 and 41 <i>Bearer Plants</i>	1 January 2016
Amendments to HKAS 27 (2011) <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to HKFRS 10 and HKAS 28 (2011) <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to HKFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
HKFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Annual Improvements Projects 2012 – 2014 Cycle	1 January 2016
HKFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
HKFRS 9 (2014) <i>Financial Instruments</i>	1 January 2018

The Directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Company's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 2. REVENUE

The principal activities of the Group comprise:

- broking index, commodity and currency futures, options and securities, agency services for unit trusts, investment-linked and insurance products for its clients;
- provision of margin financing, underwriting and placements, corporate finance advisory services, asset management services, insurance broking services, investment immigration consulting services and money lending;
- trading in listed securities on the Stock Exchange, equity index, currency and commodity futures contracts on the Futures Exchange or overseas exchanges on its own account.

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Brokerage commission:		
– securities dealing	<b>21,184</b>	17,221
– underwriting and placing commission income	<b>10,474</b>	13,443
– futures and options dealing	<b>2,307</b>	4,024
– distribution of unit trusts, investment-linked and insurance products	<b>8,383</b>	10,874
Advisory and insurance broking fees:		
– corporate finance advisory	<b>7,194</b>	5,793
– insurance broking	<b>2,346</b>	7,735
– investment immigration consulting	<b>264</b>	541
Interest income:		
– margin financing	<b>4,347</b>	9,320
– loans and advances	<b>13</b>	54
Proprietary trading:		
– net results from proprietary trading	<b>(267)</b>	907
	<b>56,245</b>	69,912

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 3. SEGMENT INFORMATION

The Directors have been identified as the chief operating decision makers to evaluate the performance of operating segments based on the Group's internal reporting in respect of these segments. Segment assets and liabilities are not disclosed as they are not considered as crucial for resources allocation and thereby not being regularly provided to the Directors.

### Reportable operating segments

The Directors consider wealth management, brokerage and margin financing, insurance broking, corporate finance, money lending and proprietary trading are the Group's major operating segments. The principal activities of these divisions are as follows:

Wealth management, brokerage and margin financing	Provision of brokerage services in trading in securities, futures contracts and options and margin financing services, and distribution of unit trusts, MPF products, mutual funds and investment-linked products, provision of investment immigration consulting services, underwriting and placements
Insurance broking	Provision of insurance broking services
Corporate finance	Provision of corporate finance advisory services
Money lending	Provision of corporate and personal financing services
Proprietary trading	Proprietary trading in securities and fund investments

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 3. SEGMENT INFORMATION (Continued)

### Reportable operating segments (Continued)

	2015						Consolidated HK\$'000
	Wealth management, brokerage and margin financing HK\$'000	Insurance broking HK\$'000	Corporate finance HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	
<b>Revenue</b>	46,959	2,346	7,194	13	(267)	-	56,245
Commission expenses	(20,156)	(1,864)	-	-	(514)	-	(22,534)
<b>Results</b>	<b>(9,171)</b>	<b>(2,543)</b>	<b>(3,157)</b>	<b>(450)</b>	<b>51</b>	<b>235</b>	<b>(15,035)</b>
Unallocated expenses, represented							
central administration costs							(17,087)
Unallocated finance costs							(11,843)
Gain on disposal of an associate							545
Share of result of an associate							(165)
Gain on deemed disposal of an associate							82
Share of results of joint ventures							(22)
Gain on disposal of available-for-sale financial assets							69,437
Fair value change on derivative financial liabilities							(12,971)
Income tax expense							(1,650)
<b>Profit for the year</b>							<b>11,291</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 3. SEGMENT INFORMATION (Continued)

### Reportable operating segments (Continued)

	2014						
	Wealth management, brokerage and margin financing HK\$'000	Insurance broking HK\$'000	Corporate finance HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
<b>Revenue</b>	55,423	7,735	5,793	54	907	-	69,912
Commission expenses	(25,872)	(6,811)	-	-	(2)	-	(32,685)
<b>Results</b>	(2,736)	(1,981)	(2,705)	(810)	905	90	(7,237)
Unallocated expenses, represented							
central administration costs							(10,248)
Gain on deemed disposal of							
an associate							167
Share of result of an associate							(251)
Share of results of joint ventures							(21)
Loss on disposal of available-for-sale							
financial assets							(56)
Income tax expense							(93)
<b>Loss for the year</b>							<b>(17,739)</b>

### Geographical information

The geographical location of customers is based on the location at which the services were provided. During the reporting periods of 30 June 2015 and 30 June 2014, the Group's revenue is mainly derived from customers in Hong Kong.

The geographical location of the non-current assets, other than financial instruments ("specified non-current assets") is based on the physical location of the assets. As at 30 June 2015 and 2014, the principal specified non-current assets of the Group were also located in Hong Kong. Accordingly, no analysis by geographical segment was provided.

### Major customers

For the year ended 30 June 2015, there was no (2014: nil) single external customer who contributed more than 10% revenue of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 4. OTHER REVENUE AND INCOME

	2015 HK\$'000	2014 HK\$'000
<b>Other revenue</b>		
Dividend income from listed investments	3,732	2,733
Dividend income from unlisted investments	6	–
Handling income	948	1,177
Interest income	1,997	1,772
Licence fee income	–	1,300
Management fee income	710	1,210
Sundry income	514	761
	<b>7,907</b>	<b>8,953</b>
<b>Other income</b>		
Gain on disposal of available-for-sale financial assets	69,437	–
Gain on deemed disposal of an associate	82	167
Gain on disposal of an associate*	545	–
Reversal of allowance for doubtful debts	1,456	1,270
	<b>71,520</b>	<b>1,437</b>
	<b>79,427</b>	<b>10,390</b>

\* In March 2015, the Group entered into a purchase contract with Tanrich-FundStreet Limited (“TFSL”) and the associate, FundStreet AG (“FundStreet”), a company engaged in fund management in Switzerland which is incorporated in Zurich, Switzerland, pursuant to which the Group agreed to sell all its shares in FundStreet in exchange for all the shares in TFSL held by FundStreet plus a cash consideration of HK\$514,000 (“Cross-Shareholding”). As a result, the Group recorded a gain on disposal of an associate amounted to HK\$545,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 5. PROFIT (LOSS) BEFORE TAX

This is stated after charging:	2015 HK\$'000	2014 HK\$'000
<b>(a) Employee benefit expenses</b>		
Salaries, commission and allowances	37,898	33,158
Contributions to retirement benefit schemes (Note 28)	1,089	1,038
	<b>38,987</b>	34,196
<b>(b) Other items</b>		
Auditor's remuneration		
– Audit-related assurance services	1,000	1,000
– Other services*	229	–
	<b>1,229</b>	1,000
Operating lease payments on premises	8,226	8,553
Bad and doubtful debts written off	–	2,077
Fair value change on derivative financial liabilities	12,971	–
Loss on disposal of available-for-sale financial assets	–	56
Loss on other financial assets upon maturity	1,394	–
Impairment of goodwill	100	–
<b>(c) Finance costs</b>		
Bond interest expenses	11,271	–
Imputed interest expenses on bonds payable	572	–
Interest expenses for securities broking and margin financing	523	573
Other interest expenses	630	590
	<b>12,996</b>	1,163

\* The amounts included other services performed by the auditor in connection with the share subscription and bonds issuance during the reporting period. The fee of HK\$110,000 was deducted directly in share premium and the fee of HK\$110,000 was included in the bonds issuance costs detailed in note 24 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

The analysis of the aggregate amount of emoluments received or receivable by the Directors is as follows:

*For the year ended 30 June 2015:*

Name of Director	As a director of the Company					Total HK\$'000
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Employer's contributions to retirement benefit schemes HK\$'000	Other services in connection with the management of its subsidiaries HK\$'000	
<b>Executive Directors:</b>						
Yu Weijia (Note i)	-	-	-	-	-	-
Pu Rui (Note i)	-	-	-	-	-	-
Wu Jian (Note i)	-	-	-	-	-	-
Zhang Chunyong (Note i)	-	-	-	-	-	-
Xu Mingdi (Note i)	-	-	-	-	-	-
Liang Yiqing (Note i)	-	-	-	-	-	-
Wang Zhixian (Note ii)	-	-	-	-	-	-
Luo Yi (Note ii)	-	-	-	-	483	483
Zhang Yi (Note ii)	-	-	-	-	63	63
Yip Man Fan (Note vi)	-	635	101	20	-	756
Kwok Kam Hoi (Note vi)	32*	657	102	20	-	811
Tsunoyama Toru (Note vi)	-	564	90	20	-	674
Wong, Vicky Lai Ping (Note vi)	-	589	94	20	540	1,243
Lin Peng (Note vi)	-	700	110	11	635	1,456
<b>Independent Non-executive Directors:</b>						
Wu Jun (Note iv)	88	-	-	-	-	88
Meng Gaoyuan (Note iv)	88	-	-	-	-	88
Lam Kwok Cheong	204	-	-	-	-	204
Ma, Andrew Chiu Cheung (Note iii)	170	-	-	-	-	170
Yu King Tin (Note iii)	156	-	-	-	-	156
	<b>738</b>	<b>3,145</b>	<b>497</b>	<b>91</b>	<b>1,721</b>	<b>6,192</b>

\* Mr. Kwok Kam Hoi received the emoluments from a subsidiary, amounted to HK\$32,000 (2014: HK\$55,000), which was in respect of services to the Company and its subsidiaries. No apportionment has been made as the Directors consider that it is impractical to apportion this amount between the Company and the subsidiaries.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) Directors' emoluments (Continued)

For the year ended 30 June 2014:

Name of Director	As a director of the Company					Other services in connection with the management of its subsidiaries	Total
	Fees	Salaries	Discretionary bonuses	Employer's contributions to retirement benefit schemes			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Executive Directors:</b>							
Yip Man Fan	-	1,089	50	34	-	1,173	
Kwok Kam Hoi	55	1,051	51	34	-	1,191	
Tsunoyama Toru	-	967	45	34	-	1,046	
Wong, Vicky Lai Ping	-	1,010	181	33	-	1,224	
Lin Peng	-	1,200	194	15	-	1,409	
<b>Independent Non-executive Directors:</b>							
Lam, Andy Siu Wing (Note v)	83	-	-	-	-	83	
Ma, Andrew Chiu Cheung	220	-	-	-	-	220	
Yu King Tin	207	-	-	-	-	207	
Lam Kwok Cheong (Note v)	130	-	-	-	-	130	
	695	5,317	521	150	-	6,683	

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) Directors' emoluments (Continued)

Notes:

- (i) Mr. Yu Weijia, Mr. Pu Rui, Mr. Wu Jian, Mr. Zhang Chunyong, Mr. Xu Mingdi and Ms. Liang Yiqing were appointed as Executive Directors with effect from 27 February 2015.
- (ii) Mr. Wang Zhixian, Mr. Luo Yi and Mr. Zhang Yi were appointed as Executive Directors on 27 January 2015 and resigned on 27 February 2015.
- (iii) Mr. Ma, Andrew Chiu Cheung and Mr. Yu King Tin resigned as Independent Non-executive Directors on 27 January 2015.
- (iv) Professor Wu Jun and Mr. Meng Gaoyuan were appointed as Independent Non-executive Directors on 27 January 2015.
- (v) Dr. Lam, Andy Siu Wing, JP retired as Independent Non-executive Director on 12 November 2013 and Mr. Lam Kwok Cheong was appointed as Independent Non-executive Director with effect from 12 November 2013.
- (vi) Dr. Yip Man Fan, Mr. Kwok Kam Hoi, Mr. Tsunoyama Toru, Ms. Wong, Vicky Lai Ping and Mr. Lin Peng resigned as Executive Directors of the Company on 27 January 2015. Ms. Wong, Vicky Lai Ping and Mr. Lin Peng continued to be Directors of the Group's subsidiaries.

### (b) Loans, quasi-loans and other dealings in favour of Directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Company or its holding company that were entered into or subsisted during the year (2014: nil).

### (c) Directors' material interests in transactions, arrangements or contracts

After consideration, the Directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### Five highest paid employees' emoluments

Of the five individuals with the highest emoluments, two (2014: four) were Directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the three (2014: one) individual, excluding Directors' emoluments, are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	2,612	1,585
Discretionary bonus	328	–
Contributions to retirement benefit schemes	52	15
	<b>2,992</b>	1,600

	Number of individuals	
	2015	2014
The emoluments, excluding Directors' emoluments, fell within the following bands:		
Nil to HK\$1,000,000	2	–
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	1
	<b>3</b>	1

No emoluments were paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 30 June 2015 and 2014. There were no arrangements under which a director waived or agreed to waive any remuneration for the years ended 30 June 2015 and 2014.

## 7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% on a subsidiary's estimated assessable profits arising from Hong Kong during the years ended 30 June 2015 and 2014. Hong Kong Profits Tax has not been provided for other entities within the Group as they either incurred losses for taxation purpose or their estimated assessable profits for the year are wholly absorbed by unrelieved tax losses brought forward from previous years.

The income tax provision in respect of operations in the PRC, if applicable, is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. PRC Enterprise Income Tax has not been provided for the both years ended 30 June 2015 and 2014 as the operations in PRC either had no assessable profits or the estimated assessable profits for the year are wholly absorbed by unrelieved tax losses brought forward from previous years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 7. TAXATION (Continued)

In the opinion of the Directors, the Group did not subject to taxation in any other jurisdictions.

	2015 HK\$'000	2014 HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax		
Current year	1,650	93

	2015 HK\$'000	2014 HK\$'000
<b>Reconciliation of tax expense</b>		
Profit (Loss) before tax	12,941	(17,646)
Income tax at applicable tax rate of 16.5% (2014: 16.5%)	2,135	(2,912)
Non-deductible expenses	3,655	440
Tax exempt revenue	(12,551)	(823)
Unrecognised tax losses	8,410	4,645
Unrecognised temporary difference	25	(92)
Utilisation of previously unrecognised tax losses	(86)	(1,286)
Effect of different tax rate of PRC subsidiaries	62	121
Total tax expense for the year	1,650	93

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 8. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the profit (loss) attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

	2015 HK\$'000	2014 HK\$'000
Profit (Loss) attributable to equity holders of the Company	<b>11,291</b>	(17,739)
<b>Number of shares</b>		
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares in issue for the purpose of basic earnings (loss) per share	<b>1,793,111</b>	1,191,476
Effect of dilutive potential shares:		
Share option issued by the Company (Note)	<b>937</b>	–
Weighted average number of ordinary shares in issue for the purpose of diluted earnings (loss) per share	<b>1,794,048</b>	1,191,476
Basic earnings (loss) per share (HK cents)	<b>0.630</b>	(1.489)
Diluted earnings (loss) per share (HK cents)	<b>0.629</b>	(1.489)

Note:

Since the conversion of the Company's share options would result in an anti-dilutive effect, diluted loss per share was the same as basic loss per share in 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reconciliation of carrying amount					
– year ended 30 June 2014					
At 1 July 2013	309	109	23	811	1,252
Additions	3,899	213	33	817	4,962
Disposal	–	(4)	–	–	(4)
Depreciation	(526)	(68)	(13)	(749)	(1,356)
At 30 June 2014	3,682	250	43	879	4,854
Reconciliation of carrying amount					
– year ended 30 June 2015					
At 1 July 2014	<b>3,682</b>	<b>250</b>	<b>43</b>	<b>879</b>	<b>4,854</b>
Additions	<b>1,368</b>	<b>2</b>	<b>107</b>	<b>617</b>	<b>2,094</b>
Depreciation	<b>(1,474)</b>	<b>(67)</b>	<b>(16)</b>	<b>(478)</b>	<b>(2,035)</b>
<b>At 30 June 2015</b>	<b>3,576</b>	<b>185</b>	<b>134</b>	<b>1,018</b>	<b>4,913</b>
At 30 June 2014					
Cost	4,041	1,389	1,588	9,832	16,850
Accumulated depreciation	(359)	(1,139)	(1,545)	(8,953)	(11,996)
	3,682	250	43	879	4,854
At 30 June 2015					
Cost	<b>5,409</b>	<b>1,391</b>	<b>1,695</b>	<b>10,340</b>	<b>18,835</b>
Accumulated depreciation	<b>(1,833)</b>	<b>(1,206)</b>	<b>(1,561)</b>	<b>(9,322)</b>	<b>(13,922)</b>
	<b>3,576</b>	<b>185</b>	<b>134</b>	<b>1,018</b>	<b>4,913</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 10. INTANGIBLE ASSETS

	<b>Trading Licenses</b>	<b>Goodwill</b>	<b>Total</b>
	HK\$'000	HK\$'000 (Note)	HK\$'000
<b>Reconciliation of carrying amount</b>			
– year ended 30 June 2014			
At 1 July 2013	–	100	100
Amortisation	–	–	–
At 30 June 2014	–	100	100
<b>Reconciliation of carrying amount</b>			
– year ended 30 June 2015			
At 1 July 2014	–	<b>100</b>	<b>100</b>
Impairment	–	<b>(100)</b>	<b>(100)</b>
<b>At 30 June 2015</b>	–	–	–
At 30 June 2014			
Cost	600	100	700
Accumulated amortisation	(600)	–	(600)
	–	100	100
<b>At 30 June 2015</b>			
Cost	<b>600</b>	–	<b>600</b>
Accumulated amortisation	<b>(600)</b>	–	<b>(600)</b>
	–	–	–

Note: Goodwill is allocated to the Group's cash generating units identified according to operating and business segment.

In August 2010, the Group acquired 100% equity interests in Tanrich Properties Agency Limited ("TPAL") at an aggregate consideration of HK\$100,000. The excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed of HK\$100,000 is recognised as goodwill.

At the end of the reporting period, the Group assessed the recoverable amount of the goodwill, which was lower than its carrying amount, therefore, the goodwill of HK\$100,000 was fully impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 11. INTERESTS IN SUBSIDIARIES

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Southwest Securities (HK) Financial Management Limited ("SFML") (formerly known as Tanrich Financial (Management) Limited)	British Virgin Islands/ Hong Kong	US\$10,000 (divided into 10,000 ordinary shares of US\$1 each)	100%	–	Investment holding and proprietary trading
Southwest Securities (HK) Asset Management Limited ("SAML") (formerly known as Tanrich Asset Management Limited)	Hong Kong/ Hong Kong	HK\$30,000,000 ordinary shares and HK\$6,000,000 non-voting deferred shares	–	100%	Provision of asset management services, distribution of unit trusts and mutual funds
Southwest Securities (HK) Capital Limited ("SCL") (formerly known as Tanrich Capital Limited)	Hong Kong/ Hong Kong	HK\$30,000,000 ordinary shares (2014: HK\$25,000,000 ordinary shares)	–	100%	Provision of corporate finance advisory services
Southwest Securities (HK) Finance Limited ("SFIN") (formerly known as Tanrich Finance Limited)	Hong Kong/ Hong Kong	HK\$1,000 ordinary shares and HK\$10,000 non-voting deferred shares	–	100%	Provision of corporate and personal financing services
Southwest Securities (HK) Futures Limited ("SFL") (formerly known as Tanrich Futures Limited)	Hong Kong/ Hong Kong	HK\$20,000,000 ordinary shares and HK\$10,000,000 non-voting deferred shares	–	100%	Futures broking and proprietary trading



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 11. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Southwest Securities (HK) Brokerage Limited ("SBL") (formerly known as Tanrich Securities Company Limited)	Hong Kong/ Hong Kong	HK\$130,000,000 ordinary shares and HK\$25,000,000 non-voting deferred shares (2014: HK\$80,000,000 ordinary shares and HK\$25,000,000 non-voting deferred shares)	–	100%	Securities broking, margin financing and distribution of unit trusts and mutual funds
Tanrich Wealth Management Limited ("TWML")	Hong Kong/ Hong Kong	HK\$21,000,000 ordinary shares (2014: HK\$17,000,000 ordinary shares)	–	100%	Distribution of investment-linked products, MPF products, provision of personal financial consulting and planning services and provision of insurance broking services
Southwest Securities (HK) Investments Limited ("SIL") (formerly known as Tanrich Investments Limited)	Hong Kong/ Hong Kong	HK\$1 ordinary share	–	100%	Investment holding
Southwest Securities (HK) Investment Management Limited ("SIML") (formerly known as Tanrich Investment Management Limited)	Hong Kong/ Hong Kong	HK\$1,000,000 ordinary shares	–	100%	Investment holding
Southwest Securities (HK) Promotion Limited ("SPL") (formerly known as Tanrich Promotion Limited)	Hong Kong/ Hong Kong	HK\$300,000 ordinary shares	–	100%	Provision of advertising services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 11. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
TPAL	Hong Kong/ Hong Kong	HK\$10,000 ordinary share	–	100%	Property agency
TOP Commodity Capital Management Limited (“TOP”)	Hong Kong/ Hong Kong	HK\$150,000 ordinary shares	–	100%	Investment holding
敦沛科技發展(深圳)有限公司	Wholly Foreign Owned Enterprise in the PRC	Registered capital of HK\$5,000,000	–	100%	Provision of corporate finance advisory services
西證(大連)投資管理有限公司(formerly known as 敦沛(大連)投資管理有限公司)	Wholly Foreign Owned Enterprise in the PRC	Registered capital of HK\$6,000,000	–	100%	Not yet commenced business
TFSL*	Hong Kong/ Hong Kong	HK\$2,000,000 ordinary shares	–	100% (2014: 51%)	Investment holding
Tanrich Fund Investment Management (Cayman) Ltd (“TFIM”)*	Cayman Islands/ Hong Kong	US\$10,000 ordinary shares	–	100% (2014: 51%)	Not yet commenced business

In accordance with Articles of Association of each of SAML, SFIN, SFL and SBL, holders of non-voting deferred shares are entitled to a fixed non-cumulative dividend at a rate of Hong Kong one cent (HK\$0.01) per non-voting deferred share when the profit exceeds HK\$100 billion in any financial year.

\* As at 30 June 2014, the Group directly held 51% equity interest in TFSL and TFIM (together the “TFSL Group”) which were classified as interests in joint ventures. Due to the Cross-Shareholding with FundStreet in March 2015, the Group’s equity interest in TFSL Group increased from 51% to 86%. The transaction is accounted for as an asset acquisition. In addition to the Cross-Shareholding, the Group further acquired the remaining 14% equity interest in TFSL Group and therefore TFSL Group became wholly-owned subsidiaries of the Group as at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK\$'000	2014 HK\$'000
Unlisted equity securities, at cost (Note i)	14,268	14,268
Impairment loss	(13,021)	(13,021)
	1,247	1,247
Equity securities – listed in Hong Kong at fair value (Note ii)	127,311	101,664
	128,558	102,911

Notes:

- (i) The unlisted equity securities represent the Group's investments in three (2014: three) private entities.

Given the equity securities are unlisted, the range of fair value estimated is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed, the Directors are of the opinion that their fair values cannot be reliably measured and hence they are measure at cost less impairment at the end of each reporting period.

- (ii) Fair values are determined with reference to quoted market bid prices.

During the year, the Group disposed of certain listed securities on-market at a total consideration of HK\$69,437,000. As a result, a gain on disposal on available-for-sale financial assets amounted to HK\$69,437,000 was reclassified from investment revaluation reserve upon disposal to profit or loss as reclassification adjustment.

The Group has pledged listed equity securities of aggregate carrying amount of HK\$27,320,000 (2014: HK\$101,664,000) to banks as collateral for the banking facilities granted to the Group.

## 13. OTHER NON-CURRENT ASSETS

	2015 HK\$'000	2014 HK\$'000
Reserve fund deposits with the Futures Exchange	1,573	1,543
Statutory deposits with the Stock Exchange	3,049	1,735
Statutory deposits with the Securities and Futures Commission ("SFC")	100	100
Contributions to the Central Clearing and Settlement System Guarantee Fund	1,649	100
Admission fees paid to the Hong Kong Securities Clearing Company Limited	100	100
	6,471	3,578

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2015 HK\$'000	2014 HK\$'000
<b>Held for trading</b>			
Equity securities listed in Hong Kong	(i), (iii)	<b>103,184</b>	5,847
Equity securities listed outside Hong Kong	(i)	<b>27,324</b>	26
Unlisted fund investments	(ii)	<b>60,248</b>	–
		<b>190,756</b>	5,873

Notes:

- (i) Fair values of the listed equity securities are determined with reference to quoted market bid price.
- (ii) For the unlisted fund investments, the fair values are determined by their net assets values quoted by the relevant investment trusts with reference to the underlying assets (mainly listed securities) of the funds.
- (iii) The Group has pledged certain listed equity securities of HK\$8,882,000 (2014: HK\$5,847,000) to a bank as collateral for the banking facilities granted.

## 15. OTHER FINANCIAL ASSETS

	2015 HK\$'000	2014 HK\$'000
Derivatives – total return swap agreement (“SWAP”) designated as at fair value through profit or loss	–	7,663

In April 2010, the Company entered into the five-year SWAP with a bank in the United Kingdom with notional amount of US\$10,000,000. The SWAP matured in April 2015 and the Company received proceeds from the bank amounted to HK\$7,729,000 upon maturity and resulted in a loss of HK\$1,394,000 in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 16. ACCOUNTS RECEIVABLE

	Note	2015 HK\$'000	2014 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	(i)	<b>13,626</b>	3,784
– securities margin clients	(ii)	<b>124,916</b>	65,385
– securities subscription clients	(iii)	<b>51,096</b>	113,966
– securities and options clearing houses and brokers	(iii)	<b>14,869</b>	1,431
– futures clearing house and brokers	(iv)	<b>4,504</b>	2,783
Accounts receivable arising from the provision of corporate finance advisory services	(v)	<b>500</b>	51
Accounts receivable arising from the provision of investment-linked and insurance products broking services	(vi)	<b>615</b>	1,357
		<b>210,126</b>	188,757

### Settlement terms

The settlement terms of accounts receivable arising from the ordinary course of business of broking in securities are two or three trading days after the transaction dates.

Accounts receivable arising from the subscription of Initial Public Offerings (“IPO”) of listed companies in Hong Kong on behalf of clients are settled upon the share allotments of such listed companies.

Accounts receivable arising from the ordinary course of business of broking in index, commodity and currency futures contracts and options represent the margin deposits maintained with futures clearing house, options clearing house or brokers to meet the margin requirements of open contracts. Margin calls from clearing house and brokers are settled on a daily basis. The excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts receivable arising from the provision of corporate finance advisory services and investment-linked and insurance products broking services are repayable within 30 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 16. ACCOUNTS RECEIVABLE (Continued)

### Settlement terms (Continued)

The ageing analysis below is prepared based on the above settlement terms.

Notes:

- (i) At the end of the reporting period, the ageing analysis of accounts receivable from securities cash clients, was as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Current	<b>155</b>	113
Overdue:		
Within 30 days	<b>12,860</b>	3,608
31 – 90 days	<b>572</b>	63
91 – 180 days	<b>30</b>	–
Over 180 days	<b>9</b>	3,384
	<b>13,626</b>	7,168
Allowance for bad and doubtful debts	–	(3,384)
	<b>13,626</b>	3,784

The movements in the provision for impairment of accounts receivable from securities cash clients were as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
At 1 July	<b>3,384</b>	3,384
Amount recovered	<b>(1,400)</b>	–
Amount written off	<b>(1,984)</b>	–
At 30 June	–	3,384

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 16. ACCOUNTS RECEIVABLE (Continued)

### Settlement terms (Continued)

Notes: (Continued)

- (ii) At the end of the reporting period, the ageing analysis of accounts receivable from securities margin clients was as follows:

	2015 HK\$'000	2014 HK\$'000
Current	24,687	45,698
Overdue:		
Within 30 days	92,951	13,234
31 – 90 days	6,776	6,453
91 – 180 days	237	–
Over 180 days	265	–
	<b>124,916</b>	<b>65,385</b>

Accounts receivable from securities margin clients are secured by their pledged securities, repayable on demand and bear interests at commercial rates. Credits are extended to securities margin clients subject to the marginable value of the listed securities pledged with the Group. The margin ratios are reviewed and determined periodically. At the end of the reporting period, fair value of marketable securities pledged by securities margin clients was HK\$347,912,000 (2014: HK\$265,161,000).

The movements in the provision for impairment of accounts receivable from securities margin clients were as follow:

	2015 HK\$'000	2014 HK\$'000
At 1 July	–	1,000
Amount recovered	–	(1,000)
At 30 June	–	–

- (iii) At the end of the reporting period, accounts receivable from securities subscription clients, securities and options clearing houses and brokers were not yet due. These accounts receivables were required to be settled on the allotment date determined under the relevant market practices or exchange rules.

The Group maintains margin deposits with the options clearing house in respect of clients' monies in the ordinary course of business of option broking. At the end of the reporting period, deposits not otherwise dealt with in consolidated financial statements amounted to HK\$14,670,000 (2014: HK\$3,883,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 16. ACCOUNTS RECEIVABLE (Continued)

### Settlement terms (Continued)

Notes: (Continued)

- (iv) Accounts receivable from futures clearing house and brokers did not include clients' monies deposited in the futures clearing house in Hong Kong amounted to HK\$3,961,000 (2014: HK\$6,393,000), which was not dealt with in the consolidated financial statements. At the end of the reporting period, accounts receivable from futures clearing house and brokers were all overdue within 30 days and repayable on demand.

The movements in the provision for impairment of accounts receivable from futures clearing house and brokers were as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 July	210	480
Amount recovered	(56)	(270)
At 30 June	154	210

- (v) At the end of the reporting period, the ageing analysis of accounts receivable arising from the provision of corporate finance advisory services was as follows:

	2015 HK\$'000	2014 HK\$'000
Current	–	18
Overdue:		
31 – 90 days	500	33
	500	51

The movements in the provision for impairment of accounts receivable arising from the provision of corporate finance advisory services were as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 July	–	700
Increase in allowance	–	2,077
Amount written off	–	(2,777)
At 30 June	–	–



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 16. ACCOUNTS RECEIVABLE (Continued)

### Settlement terms (Continued)

Notes: (Continued)

(vi) At the end of the reporting period, the ageing analysis of accounts receivable arising from the provision of investment-linked and insurance products broking services was as follows:

	2015 HK\$'000	2014 HK\$'000
Current	421	1,258
Overdue:		
Within 30 days	56	19
31 – 90 days	97	77
91 – 180 days	38	2
Over 180 days	3	1
	<b>615</b>	<b>1,357</b>

Accounts receivable with carrying amount of HK\$118,898,000 (2014: HK\$23,490,000) are past due but not impaired. The management is of the opinion that no provision for impairment is necessary in respect of the overdue amount as all the balances have been fully settled subsequently or were being settled according to the agreed repayment schedules. The Group does not hold any collateral or other credit enhancements over these balances other than accounts receivable from securities margin clients.

Receivables that were neither past due or impaired related to a wide range of customers for whom there were no history of default and the management believes that the amounts are recoverable.

## 17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Deposits, prepayments and other receivables	6,629	5,150
Due from a related company	–	821
	<b>6,629</b>	<b>5,971</b>

## 18. CASH AND CASH EQUIVALENTS

	2015 HK\$'000	2014 HK\$'000
Pledged deposits	2,026	2,017
Cash and bank balances	1,918,761	76,323
As stated in the consolidated statement of cash flows	<b>1,920,787</b>	<b>78,340</b>

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the end of the reporting period, trust monies not otherwise dealt with in the consolidated financial statements amounted to HK\$563,769,000 (2014: HK\$336,958,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 19. AMOUNT DUE TO A RELATED COMPANY

On 3 August 2011, SFML entered into an agreement with Union Light Investment Limited ("Union Light") which has obtained credit facility granted by a bank in Hong Kong amounted to HK\$170,000,000 and has agreed to grant such facility to SFML and its subsidiaries for working capital and business development. SFML would subject to the same terms and conditions under the banking facility granted to Union Light.

On 6 June 2013, the facility was renewed and the facility limit was revised to HK\$150,000,000. The agreement between SFML and Union Light was revised on 4 July 2013. Further on 21 February 2014, the facility was renewed with no change in terms and the facility limit.

At 30 June 2014, both Union Light and SFML were under the common directorship of Dr. Yip Man Fan and Mr. Tsunoyama Toru. Subsequent to the change of directors of SFML in January 2015, Union Light is no longer a related company.

The amount due was fully repaid in May 2015.

## 20. INTEREST-BEARING BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank loans, secured and wholly repayable within 12 months	–	163,900

At 30 June 2014, the bank loans were borrowed principally for the purpose of providing margin financing and IPO financing to clients. The bank loans were fully repaid in May 2015.

## 21. DERIVATIVE FINANCIAL LIABILITIES

	2015 HK\$'000	2014 HK\$'000
Cross-currency swap (Note 34)	12,971	–

In June 2015, the Group entered into a cross-currency swap with a bank in the United Kingdom to swap the Renminbi Bonds principal and the relevant interest payments, as detailed in note 24 to the consolidated financial statements, into Hong Kong dollar to manage the interest rate and currency risks.

The changes in fair value of the cross-currency swap of HK\$12,971,000 are recognised in the profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 22. ACCOUNTS PAYABLE

	Note	2015 HK\$'000	2014 HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	(i)	<b>31,589</b>	1,387
– securities margin clients	(i)	<b>7,045</b>	–
– securities clearing house	(i)	<b>37</b>	25,268
– futures clients	(ii)	<b>4,494</b>	2,761
Accounts payable arising from the provision of investment-linked and insurance products broking services	(iii)	<b>995</b>	1,677
	(iv)	<b>44,160</b>	31,093

Notes:

- (i) The settlement terms of accounts payable arising from the ordinary course of business of broking in securities in respect of cash clients, margin clients and clearing house are two or three trading days after the transaction dates.
- (ii) Accounts payable arising from the ordinary course of business broking in index, commodity and currency futures contracts represent the margin deposits received from clients for their trading in futures contracts. The excess over the required margin deposits stipulated are repayable to clients on demand.
- (iii) Accounts payable arising from the provision of investment-linked and insurance products broking services are payable within 30 days.
- (iv) Accounts payable are stated net of clients' segregated assets of HK\$582,400,000 (2014: HK\$347,234,000).
- (v) No ageing analysis is disclosed in respect of accounts payable. In the opinion of the Directors, an ageing analysis does not give additional value in view of the businesses' nature.
- (vi) Interest with reference to savings rate of financial institutions is payable to accounts payable arising from the ordinary course of business of securities broking subject to their balances maintained with the Group. All other categories of accounts payable are non-interest-bearing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 23. OTHER PAYABLES AND ACCRUED CHARGES

	2015	2014
	HK\$'000	HK\$'000
Accrued charges	14,607	16,094
Interest payables	11,260	367
Other payables	543	1,223
	<b>26,410</b>	17,684

## 24. BONDS PAYABLE

	2015	2014
	HK\$'000	HK\$'000
Carrying amount upon issuance	1,855,664	–
Imputed interest expenses	572	–
Exchange realignment	(1,930)	–
At 30 June	<b>1,854,306</b>	–

On 28 May 2015, the Company issued bonds with aggregate principal amount of RMB1,500,000,000 (the “Bonds”). The Bonds bear interest from 28 May 2015 (inclusive) at the rate of 6.45% per annum. Interest on the Bonds is payable semi-annually in arrears. The Bonds are listed on the Stock Exchange and mature on 28 May 2018 at their principal amount. At 30 June 2015, the fair value of the Bonds was RMB1,501,650,000.

On the issue date, the Bonds were recognised based on the residual principal amounts, net of issuance costs of approximately RMB16,300,000. The Bonds are subsequently carried at amortised cost using an average effective interest rate of 6.85%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 25. DEFERRED TAXATION

### Recognised deferred tax assets (liabilities)

	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Depreciation allowances	-	-	(187)	(211)
Tax losses	187	211	-	-
Deferred tax assets (liabilities)	187	211	(187)	(211)
Offset deferred tax assets and liabilities	(187)	(211)	187	211
<b>Net deferred tax assets (liabilities)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Unrecognised deferred tax assets arising from

	2015 HK\$'000	2014 HK\$'000
Deductible temporary differences	65	61
Tax losses	305,076	254,482
At 30 June	<b>305,141</b>	254,543

Both the tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 26. SHARE CAPITAL

	Note	2015		2014	
		Number of shares HK\$'000	Amount HK\$'000	Number of shares HK\$'000	Amount HK\$'000
<b>Authorised:</b>					
Ordinary shares of HK\$0.1 each					
At beginning of the year		2,000,000	200,000	2,000,000	200,000
Increase in authorised share capital	(i)	2,000,000	200,000	–	–
At end of the reporting period		4,000,000	400,000	2,000,000	200,000
<b>Issued and fully paid:</b>					
At beginning of the year		1,191,476	119,147	1,191,476	119,147
Issue of shares under share option scheme	(ii)	4,620	462	–	–
Issue of shares upon shares subscription	(iii)	1,245,124	124,512	–	–
		2,441,220	244,121	1,191,476	119,147

Notes:

- (i) By ordinary resolution passed on 19 September 2014, the authorised share capital of the Company was increased from HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each to HK\$400,000,000 divided into 4,000,000,000 shares of HK\$0.10 each by the creation of additional 2,000,000,000 shares of HK\$0.10 each.
- (ii) On 10 October 2014 and 18 December 2014, 2,220,000 and 2,400,000 share options were exercised to subscribe for a total of 4,620,000 ordinary shares of the Company at an exercise price of HK\$0.355 and HK\$0.1675 respectively. The total consideration amounted to HK\$1,190,000, of which HK\$462,000 was credited to share capital and the balance of HK\$728,000 was credited to the share premium account.
- (iii) On 6 January 2015, 1,245,124,409 shares were subscribed at a subscription price of HK\$0.28 each. The total consideration amounted to HK\$348,635,000, of which HK\$124,512,000 was credited to share capital and the balance of HK\$203,797,000, being after deducting the outgoing expenses of HK\$20,326,000, was credited to the share premium account.

All new shares issued during the year rank pari passu in all respects with the then existing shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 27. SHARE OPTION SCHEME

At the annual general meeting of the Company held on 12 November 2013, the shareholders of the Company approved the adoption of a new share option scheme (the “2013 Share Option Scheme”) and the termination of the share option scheme which was adopted by the Company on 30 January 2004 (the “2004 Share Option Scheme”). The 2013 Share Option Scheme is valid and effective for 10 years from the date of adoption. Options granted under the 2004 Share Option Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the 2004 Share Option Scheme.

During the year, no share option was granted under the 2013 Share Option Scheme.

Movements in the number of share options outstanding during the year under the 2004 Share Option Scheme are as follows:

Exercise price	Number of options ('000)			Total
	HK\$0.1675	HK\$0.888	HK\$0.355	
At 1 July 2013	2,400	200	2,400	5,000
Lapsed	–	–	(180)	(180)
At 30 June 2014 and 1 July 2014	2,400	200	2,220	4,820
Exercised	(2,400)	–	(2,220)	(4,620)
<b>At 30 June 2015</b>	<b>–</b>	<b>200</b>	<b>–</b>	<b>200</b>

The weighted average share price at the dates of exercise for share options exercised during the year was HK\$0.68 (2014: not applicable).

At the end of the reporting period, the weighted average remaining contractual life of the Company's share options was 5.51 years (2014: 5.7 years).

As at 30 June 2015 and 2014, all share options outstanding under 2004 Share Option Scheme are exercisable.

Details of the share option schemes are set out in the Directors' Report on pages 34 to 36.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 28. RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution retirement scheme (the “ORSO Scheme”) and a mandatory provident fund scheme (the “MPF Scheme”) which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance and the Mandatory Provident Fund Ordinance.

Contributions to the ORSO Scheme depend on employees’ service years, and range from five to seven per cent of their basic salaries.

Employees under the ORSO Scheme are entitled fully to the employer’s contributions upon completion of ten service years, or at a reduced scale upon completion of three to nine service years. Forfeited contributions by the qualified employees who left the scheme prior to vesting fully in such contributions are used to reduce the Group’s contributions.

Contributions to the MPF Scheme are calculated at five percent of the relevant income of each employee subject to a maximum amount of HK\$1,500 per month. All statutory contributions under the MPF Scheme are immediately fully vested on the employees.

The aggregate employer’s contributions, net of forfeited contributions, which have been dealt with in profit or loss for the year amounted to:

	<b>2015</b>	2014
	<b>HK\$’000</b>	HK\$’000
Gross employer’s contributions	<b>1,226</b>	1,046
Less: Forfeited contributions utilised to offset employer’s contributions for the year	<b>(137)</b>	(8)
Net employer’s contributions charged to profit or loss	<b>1,089</b>	1,038



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 29. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, there were related party transactions entered into by the Group during the year, details of which are set out below:

Related party relationship	Nature of transaction	2015	2014
		HK\$'000	HK\$'000
Key management personnel, other than directors	Salaries, commission and allowances	6,129	5,573
	Contributions to retirement benefit schemes	121	98
A former related company, THKHL (Note i)	Licence fee received	–	(1,300)
	Management fee received	(560)	(960)
	Motor vehicle lease payment	140	240
A former related company, Union Light (Note ii)	Interest payment	344	591

Notes:

- (i) Up to January 2015, the Group charged and paid to a related company, Tanrich (Hong Kong) Holdings Limited ("THKHL") management fee of HK\$80,000 per month and lease payment of HK\$20,000 per month for the management and personnel supportive services provided by the Group and for the use of a motor vehicle respectively.
- (ii) Up to January 2015, the Group paid interest expense of HK\$344,000 to Union Light pursuant to the agreement as detailed in note 19.

No disclosures of connected transactions or continuing connected transactions are required to be reported under the Listing Rules.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Assets at fair value through profit or loss				Total HK\$'000
	Loans and receivables HK\$'000	Designated at initial recognition HK\$'000	Held for trading HK\$'000	Available- for-sale HK\$'000	
<b>Assets as per consolidated statement of financial position</b>					
Available-for-sale financial assets	-	-	-	128,558	128,558
Other non-current assets	6,471	-	-	-	6,471
Loans and advances	183	-	-	-	183
Financial assets at fair value through profit or loss	-	-	190,756	-	190,756
Accounts receivable	210,126	-	-	-	210,126
Financial assets included in deposits, prepayments and other receivables	4,399	-	-	-	4,399
Pledged deposit	2,026	-	-	-	2,026
Cash and bank balances	1,918,761	-	-	-	1,918,761
<b>At 30 June 2015</b>	<b>2,141,966</b>	<b>-</b>	<b>190,756</b>	<b>128,558</b>	<b>2,461,280</b>

	Liabilities at fair value through profit or loss HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
	<b>Liabilities as per consolidated statement of financial position</b>		
Derivative financial liabilities	12,971	-	12,971
Accounts payable	-	44,160	44,160
Financial liabilities included in other payables and accrued charges	-	26,410	26,410
Bonds payable	-	1,854,306	1,854,306
<b>At 30 June 2015</b>	<b>12,971</b>	<b>1,924,876</b>	<b>1,937,847</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 30. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

	Assets at fair value through profit or loss				Total HK\$'000
	Loans and receivables HK\$'000	Designated at initial recognition HK\$'000	Held for trading HK\$'000	Available- for-sale HK\$'000	
<b>Assets as per consolidated statement of financial position</b>					
Available-for-sale financial assets	-	-	-	102,911	102,911
Other non-current assets	3,578	-	-	-	3,578
Loans and advances	191	-	-	-	191
Financial assets at fair value through profit or loss	-	-	5,873	-	5,873
Other financial assets	-	7,663	-	-	7,663
Accounts receivable	188,757	-	-	-	188,757
Financial assets included in deposits, prepayments and other receivables	5,971	-	-	-	5,971
Pledged deposit	2,017	-	-	-	2,017
Cash and bank balances	76,323	-	-	-	76,323
At 30 June 2014	276,837	7,663	5,873	102,911	393,284

	Liabilities at fair value through profit or loss HK\$'000		Financial liabilities at amortised cost HK\$'000		Total HK\$'000
	<b>Liabilities as per consolidated statement of financial position</b>				
Amount due to a related company	-	-	24,000	-	24,000
Interest-bearing borrowings	-	-	163,900	-	163,900
Accounts payable	-	-	31,093	-	31,093
Financial liabilities included in other payables and accrued charges	-	-	17,684	-	17,684
At 30 June 2014	-	-	236,677	-	236,677

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: interest-rate risk, credit risk, foreign exchange risk, liquidity risk and equity price risk. The Group's overall risk control focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Risk Control Committee ("RCC") is responsible for establishing and reviewing credit policies and procedures to minimise systematic and non-systematic credit and financial risks of the Group. The RCC is also responsible for assessing the risk of long term investments and proprietary trading.

### Interest-rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations. As mentioned in notes 21 and 24 to the consolidated financial statements, the Group has entered into a cross-currency swap to reduce the interest rate expenses of the Bonds.

The Group had short-term borrowings for providing margin financing to clients, with interest rates fixed with the banks upon withdrawal. Hence, the Group has minimal interest-rate risk exposure in this regard. The interest rates charged and margin ratio allowed to the Group's securities margin clients are determined with reference to the terms from the banks while the interest rate for loans and advances are fixed. The Group determined the interest rate for loans and advances with appropriate premium to deal with interest-rate risk. Management considers that the Group has limited exposure to interest rate risk relating to the margin financing to the Group's securities margin clients and the loans and advances to entities as the changes in interest rates for these items are minimal.

### Credit risk

The Group is exposed to credit risk for all financial assets that a client or counterparty in a transaction may default on settlement. The maximum exposure equals to the carrying amount of the account receivables less the market value of the underlying pledged securities. Details are set out in note 16 to the consolidated financial statements.

As the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

The Group's other financial assets, including bank balances, loans and advances, other non-current assets and deposits and other receivables have a maximum exposure of credit risk without taking account of any collateral held or other credit enhancements equal the carrying amounts of these instruments.

The Group's bank balances and cross-currency swap are placed with credit-worthy financial institutions in Hong Kong, PRC and the United Kingdom.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

### Foreign currency risk

The Group's foreign currency exposures arise mainly from the exchange rate movements of United States dollar ("US dollar") and Renminbi.

The Group considers the risk exposure to foreign currency fluctuation in US dollar would be minimal as long as the Hong Kong dollar remains pegged to the US dollar. The analysis is performed on the same basis for 2014.

The Group has entered into a cross-currency swap to mitigate the effect of its foreign currency exposure arising from the fixed-rate Bonds denominated in Renminbi, in which the Group agrees to exchange, at specific intervals, Renminbi principal and interest of the Bonds into Hong Kong dollars.

### Liquidity risk

The Group manages to maintain its liquidity position at a prudent and adequate level. The Directors monitor the cash flows daily to ensure sufficient funds are available. The senior management would also review the liquidity level in compliance with the statutory requirements for the licensed subsidiaries.

The remaining undiscounted contractual maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period, based on the earliest date on which the Group is required to settle, and the Group's derivative financial liabilities at the end of the reporting period, based on the remaining contractual maturities, is summarised below:

	2015				2014			
	Less than 3 months or on demand HK\$'000	3 to 12 months HK\$'000	1-5 years HK\$'000	Total HK\$'000	Less than 3 months or on demand HK\$'000	3 to 12 months HK\$'000	1-5 years HK\$'000	Total HK\$'000
<b>Non-derivative financial liabilities</b>								
Amount due to a related company	-	-	-	-	24,000	-	-	24,000
Interest-bearing borrowings	-	-	-	-	163,900	-	-	163,900
Accounts payable	44,160	-	-	44,160	31,093	-	-	31,093
Other payables and accrued charges	12,166	14,244	-	26,410	15,963	1,721	-	17,684
Bonds payable	-	120,879	2,115,859	2,236,738	-	-	-	-
<b>Derivative financial liabilities</b>								
Cross-currency swap								
- Receipts	-	(120,879)	(2,115,859)	(2,236,738)	-	-	-	-
- Payments	-	88,015	2,048,689	2,136,704	-	-	-	-
	56,326	102,259	2,048,689	2,207,274	234,956	1,721	-	236,677

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risks arising from individual equity investments classified as available-for-sale investments and financial assets at fair value through profit or loss as at 30 June 2015, details of which have been set out in notes 12 and 14 to the consolidated financial statements respectively. The Group's listed investments are mainly listed on the Stock Exchange, the Shenzhen Stock Exchange ("SZSE") and SSE and are valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange, SZSE and SSE at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	2015		2014	
	30 June	High/Low from 1 July 2014 to 30 June 2015	30 June	High/Low from 1 July 2013 to 30 June 2014
Hong Kong – Hang Seng Index (in HK\$)	26,250	28,443/22,586	23,190	24,039/20,147
PRC – SZSE Component Index (in RMB)	14,338	18,098/7,160	7,343	8,760/6,998
PRC – SSE Composite Index (in RMB)	4,277	5,166/2,038	2,048	2,256/1,958

### Sensitivity analysis

The sensitivity analysis below has been determined assuming that the reasonably possible changes in the fair value of equity investments, with all other variables held constant had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The analysis is performed on the same basis for 2014.

At the end of the reporting period, if the equity price had been 5% (2014: 5%) higher/lower with all other variables held constant, the Group's profit (loss) before tax would be increased/decreased by HK\$6,525,000 (2014: HK\$294,000) as a result of changes in fair value of listed financial assets at fair value through profit or loss. Investment revaluation reserve would be increased/decreased by HK\$6,366,000 (2014: HK\$5,083,000) as a result of changes in fair value of listed available-for-sale investments. For sensitivity analysis on available-for-sale investments, no account has been taken of factors such as impairment which might impact on profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 32. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these consolidated financial statements on a recurring basis at 30 June 2015 and 30 June 2014 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

### 30 June 2015

	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Assets measured at fair value</b>				
Available-for-sale financial assets				
Equity securities listed in Hong Kong	127,311	127,311	-	-
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	103,184	103,184	-	-
Equity securities listed outside Hong Kong	27,324	18,986	3,092	5,246
Unlisted fund investments	60,248	-	60,248	-
<b>Liabilities measured at fair value</b>				
Derivative financial liabilities	12,971	-	12,971	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 32. FAIR VALUE MEASUREMENTS (Continued)

30 June 2014

	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Assets measured at fair value</b>				
Available-for-sale financial assets				
Equity securities listed in Hong Kong	101,664	101,664	-	-
Other financial assets				
SWAP	7,663	-	7,663	-
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	5,847	5,847	-	-
Equity securities listed outside Hong Kong	26	26	-	-

### Movements in Level 3 fair value measurements of financial assets

	<b>Financial assets at fair value through profit or loss HK\$'000</b>
<b>Transfers into Level 3 and at the end of the reporting period</b>	<b>5,246</b>
Change in unrealised gain for the year included in profit or loss for assets held at the end of the reporting period	1,352

Certain equity securities listed outside Hong Kong amounting to HK\$3,894,000 purchased during the year was classified as Level 1 upon purchase. These listed equity securities had been suspended for trading since May 2015. In the absence of an active market, these investments' fair values of HK\$5,246,000 are estimated on the basis of the quoted price before trading suspension, an analysis of the investees' prospects and other factors. These investments were and transferred to Level 3 on the dates when the trading suspended. During the reporting period, the net unrealised gains amounting to HK\$1,352,000 arising from these listed equity securities was recognised in profit or loss.

Assuming other factors remain unchanged, if the market condition of SZSE was improved/deteriorated by 10%, the Group's net profit would be increased/decreased by HK\$524,600 as a result of change in fair value of these Level 3 investments.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 32. FAIR VALUE MEASUREMENTS (Continued)

### Description of the valuation techniques and inputs used in Level 2 fair value measurement

The fair values of certain equity securities listed outside Hong Kong, unlisted fund investments, derivative financial liabilities and SWAP are determined by using valuation techniques and inputs using third-party pricing information without adjustment from the fund managers and the bank.

#### (a) Certain equity securities listed outside Hong Kong

Certain equity securities listed outside Hong Kong amounting to HK\$3,092,000 purchased during the year was classified in Level 2. These listed equity securities temporarily suspended trading as at 30 June 2015 and resumed from suspension before the date of authorisation of the consolidated financial statements. In the absence of quoted price in an active market, the Group applied market approach in which the last traded prices before their trading suspension were used without adjustment as there has been no expected material gap-down between the date of suspension and resumption. To the extent that the significant inputs are observable, the Group categorises these investments as Level 2.

#### (b) Unlisted fund investments

Note 14 to the consolidated financial statements provides detailed information about the valuation techniques used in the determination of the fair value of the unlisted fund investments.

#### (c) Derivative financial instruments

Derivative financial instruments, representing cross-currency swap, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs, which are major inputs without any adjustment, including the credit quality of counterparties, currency and interest rate curves.

#### (d) SWAP

The valuation technique used to determine the fair value of the SWAP is the discounting cashflow based on methodologies which is the estimated amount that the issuer would receive or pay to terminate the SWAP agreement at the end of the reporting period, taking into account of observable interest rates.

### Valuation processes of the Group

The Directors determine the policies and procedures for both recurring and non-recurring fair value measurement. In estimating the fair value of an asset or a liability, the Directors use market-observable data to the extent it is available. Where Level 1 inputs are not available, the Directors would engage third party qualified valuer to perform the valuation for significant assets and liabilities.

## 33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support the Group's growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, future capital requirement of the Group and investment opportunities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives policies or processes during the years ended 30 June 2015 and 30 June 2014.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities and futures dealings and broking, corporate finance and investment advisory services and insurance broking services which are regulated entities under the SFC, The Hong Kong Confederation of Insurance Brokers and Professional Insurance Brokers Association and subject to the respective minimum capital requirements.

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity. The Group's policy is to maintain the gearing ratio at a reasonable level. As at the end of the reporting period, there were borrowings of HK\$1,854,306,000 (2014: HK\$187,900,000) for financing the operations of the Group which resulted in a gearing ratio of 350.6% (2014: 115.3%).

## 34. COMMITMENTS

### Commitments under operating leases

The Group lease a number of properties and has other items under operating leases, which typically run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	13,766	10,104
In the second to fifth year inclusive	11,269	17,851
	<b>25,035</b>	<b>27,955</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 34. COMMITMENTS (Continued)

### Other commitments

In June 2015, the Group entered into a three-year cross-currency swap agreement with a bank in the United Kingdom with initial exchange amounts of RMB1,484,279,000 and HK\$1,853,032,000.

Pursuant to the cross-currency swap agreement, the Group is obliged to make semi-annual interest payments to the bank. The amount to be paid is calculated on the final exchange amount of HK\$1,872,659,000 with reference to the agreed annual rate of 4.7%. The Group in return is entitled to receive semi-annual interest on the final exchange amount of RMB1,500,000,000 at 6.45% per annum. Upon maturity of the cross-currency swap, the Group agrees to convert the final exchange amount of HK\$1,872,659,000 to RMB1,500,000,000. The cross-currency swap is settled on gross basis.

The cross-currency swap is accounted for by the Group in accordance with HKAS 39 accordingly and included in derivative financial liabilities under note 21 of the consolidated statement of financial position.

## 35. CONTINGENT LIABILITIES

The Company had issued corporate guarantee of HK\$55,000,000 (2014: HK\$55,000,000) and unlimited guarantee for a facility amounted to HK\$65,500,000 (2014: HK\$65,500,000) for banking facilities granted to subsidiaries from banks, which none of the amount was utilised (2014: HK\$75,500,000).

The Company has not recognised any deferred income for the corporate guarantee given in respect of the banking facilities for subsidiaries as their fair value cannot be reliably measured and their transactions price was zero.

At the end of the reporting period, the Directors do not consider probable that a claim will be made against the Company under any of the guarantee.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the Ordinance, the statement of financial position of the Company and the movements in its reserves are set out below:

	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>		
Interests in subsidiaries	268,336	104,855
Available-for-sale financial assets	90,702	82,368
	<b>359,038</b>	187,223
<b>Current assets</b>		
Financial assets at fair value through profit or loss	190,752	5,847
Other financial assets	–	7,663
Deposits, prepayments and other receivables	51,620	454
Pledged deposits	782	774
Cash and bank balances	1,803,837	1,018
	<b>2,046,991</b>	15,756
<b>Current liabilities</b>		
Interest-bearing borrowings	–	39,000
Derivative financial liabilities	12,971	–
Other payables and accrued charges	14,413	963
	<b>27,384</b>	39,963
<b>Net current assets (liabilities)</b>	<b>2,019,607</b>	(24,207)
<b>Total assets less current liabilities</b>	<b>2,378,645</b>	163,016
<b>Non-current liabilities</b>		
Bonds payable	1,849,812	–
<b>NET ASSETS</b>	<b>528,833</b>	163,016
<b>Capital and reserves</b>		
Share capital	244,121	119,147
Reserves	284,712	43,869
<b>TOTAL EQUITY</b>	<b>528,833</b>	163,016

Approved and authorised for issue by the Board of Directors on 18 September 2015 and signed on its behalf by

**Yu Weijia**  
Director

**Pu Rui**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

### (a) Movements of the reserves

	Investment revaluation reserve HK\$'000	Share premium HK\$'000 (Note (ii))	Contributed surplus HK\$'000 (Note(i))	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2013	57,544	9,554	65,059	(89,540)	42,617
Loss for the year	-	-	-	(14,192)	(14,192)
Other comprehensive income for the year					
Available-for-sale financial assets					
Change in fair value	15,444	-	-	-	15,444
Total comprehensive income for the year	15,444	-	-	(14,192)	1,252
At 30 June 2014	72,988	9,554	65,059	(103,732)	43,869
At 1 July 2014	72,988	9,554	65,059	(103,732)	43,869
Profit for the year	-	-	-	24,048	24,048
Available-for-sale financial assets					
Change in fair value	77,771	-	-	-	77,771
Reclassification of investment revaluation reserve upon disposal	(65,501)	-	-	-	(65,501)
Other comprehensive income for the year	12,270	-	-	-	12,270
<b>Total comprehensive income for the year</b>	<b>12,270</b>	<b>-</b>	<b>-</b>	<b>24,048</b>	<b>36,318</b>
<b>Transactions with equity holders</b>					
<i>Contributions and distributions</i>					
Issue of shares under share option scheme	-	728	-	-	728
Issue of shares upon share subscription	-	203,797	-	-	203,797
<b>Total transactions with equity holders</b>	<b>-</b>	<b>204,525</b>	<b>-</b>	<b>-</b>	<b>204,525</b>
<b>At 30 June 2015</b>	<b>85,258</b>	<b>214,079</b>	<b>65,059</b>	<b>(79,684)</b>	<b>284,712</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2015

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

### (a) Movements of the reserves (Continued)

Notes:

#### (i) Contributed surplus

Contributed surplus represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation and the nominal amount of the Company's shares issued for the acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company may not declare or pay a dividend, or make a distribution out of the contributed surplus, if there are reasonable grounds for believing that (i) it would, or would after the payment, be unable to pay its liabilities as they become due; or (ii) the realised value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

#### (ii) Share premium

The share premium account of the Company of HK\$214,079,000 (2014: HK\$9,554,000) can be distributed in the form of fully paid bonus shares pursuant to the Companies Act 1981 of Bermuda.

#### (iii) Distributable reserves

As at the end of the reporting period, in the opinion of the Directors, there is no reserve of the Company available for distribution to shareholders subject to the restriction stated above (2014: nil).

## FIVE-YEAR FINANCIAL SUMMARY

### RESULTS:

	Financial year ended 30 June				
	2011	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	109,636	67,238	55,175	69,912	<b>56,245</b>
Profit (Loss) before tax	5,666	(45,008)	(32,470)	(17,646)	<b>12,941</b>
Income tax credit (expenses)	(1,091)	12	–	(93)	<b>(1,650)</b>
Profit (Loss) for the year	4,575	(44,996)	(32,470)	(17,739)	<b>11,291</b>
<b>Attributable to:</b>					
Equity holders of the Company	4,596	(44,996)	(32,470)	(17,739)	<b>11,291</b>
Non-controlling interests	(21)	–	–	–	<b>–</b>
	4,575	(44,996)	(32,470)	(17,739)	<b>11,291</b>
Dividends	–	–	–	–	<b>–</b>

### ASSETS AND LIABILITIES:

	Assets and liabilities as at 30 June				
	2011	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	150,293	109,026	96,358	113,097	<b>140,010</b>
Current assets	272,630	195,668	157,887	286,689	<b>2,328,413</b>
Total assets	422,923	304,694	254,245	399,786	<b>2,468,423</b>
Current liabilities	(154,083)	(115,846)	(92,481)	(236,770)	<b>(85,284)</b>
Non-current liabilities	–	–	–	–	<b>(1,854,306)</b>
Total liabilities	(154,083)	(115,846)	(92,481)	(236,770)	<b>(1,939,590)</b>
Net total assets	268,840	188,848	161,764	163,016	<b>528,833</b>
Current ratio	1.77	1.69	1.71	1.21	<b>27.30</b>
Gearing ratio	41%	45%	45%	115%	<b>351%</b>

Southwest Securities  
International Securities Limited  
西證國際證券股份有限公司