

SUNWAH KINGSWAY 新華滙富

Sunwah Kingsway Capital Holdings Limited

新華滙富金融控股有限公司

(formerly known as SW Kingsway Capital Holdings Limited)

Incorporated in Bermuda with limited liability

Stock Code: 00188



20 Years of Capital Markets Excellence



Interim Report

2011/12



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Sunwah Kingsway is committed to the core values of integrity, teamwork, respect, responsibility and the pursuit of excellence.

We believe that successful companies are built on these core values, the same ones that align and guide our thinking and actions in every area of our business. Our established core values have served our Group well and will continue to guide our growth into the future.

GENERAL INFORMATION

CHAIRMAN

Jonathan Koon Shum Choi

EXECUTIVE DIRECTORS

Mary Yuk Sin Lam (*Deputy Chairman*)

Michael Koon Ming Choi (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTORS

Janice Wing Kum Kwan

Lee G. Lam

INDEPENDENT NON-EXECUTIVE DIRECTORS

Robert Tsai To Sze

Stanley Kam Chuen Ko

Elizabeth Law (appointed on 21 November 2011)

Michael Wai Chung Wu (retired on 21 November 2011)

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law:

MinterEllison

15th Floor, Hutchison House,

10 Harcourt Road, Central, Hong Kong

Clifford Chance

28th Floor, Jardine House,

One Connaught Place, Central, Hong Kong

As to Bermuda Law:

Conyers Dill & Pearman

2901 One Exchange Square,

8 Connaught Place, Central, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

35th Floor, One Pacific Place,

88 Queensway, Hong Kong

REGISTERED OFFICE

Clarendon House, 2 Church Street,

Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

5th Floor, Hutchison House,

10 Harcourt Road, Central, Hong Kong

Corporate Information

COMPANY SECRETARY

Vincent Wai Shun Lai

AUTHORISED REPRESENTATIVES

Michael Koon Ming Choi

Vincent Wai Shun Lai

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre, 11 Bermudiana Road,

Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre,

183 Queen's Road East, Wan Chai, Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

COMPOSITION OF BOARD COMMITTEES

AUDIT COMMITTEE

Robert Tsai To Sze (*Chairman*)

Stanley Kam Chuen Ko

Elizabeth Law

NOMINATION COMMITTEE

Stanley Kam Chuen Ko (*Chairman*)

Jonathan Koon Shum Choi

Mary Yuk Sin Lam

COMPENSATION COMMITTEE

Stanley Kam Chuen Ko (*Chairman*)

Jonathan Koon Shum Choi

Mary Yuk Sin Lam

Robert Tsai To Sze

Elizabeth Law

CORPORATE GOVERNANCE COMMITTEE

Lee G. Lam (*Chairman*)

Stanley Kam Chuen Ko

Condensed Consolidated Income Statement

For the six months ended 31 December 2011 – unaudited (Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2011	2010 Restated
Turnover			
Commission and fee income		\$ 51,785,488	\$ 47,512,214
Interest and dividend income		12,869,707	5,197,392
		\$ 64,655,195	\$ 52,709,606
Net (loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value		(53,938,374)	57,788,083
Other income		1,430,838	3,423,329
	4	\$ 12,147,659	\$ 113,921,018
Operating expenses			
Commission expenses		(13,382,427)	(9,917,458)
General and administrative expenses		(59,568,367)	(57,901,332)
Finance costs		(31,137)	(398,999)
		\$ (60,834,272)	\$ 45,703,229
Share of (losses)/profits of associates	4	(3,229,052)	1,096,674
(Loss)/profit before tax	5	\$ (64,063,324)	\$ 46,799,903
Income tax credit/(charge)	6	98,862	(21,611)
(Loss)/profit for the period		\$ (63,964,462)	\$ 46,778,292
Attributable to:			
Owners of the Company		\$ (63,950,392)	\$ 46,784,419
Non-controlling interests		(14,070)	(6,127)
(Loss)/profit for the period		\$ (63,964,462)	\$ 46,778,292
Basic (loss)/earnings per share	8	(1.7) cent	1.4 cent
Diluted (loss)/earnings per share	8	(1.7) cent	1.4 cent

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2011 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2011	2010
(Loss)/profit for the period	\$ (63,964,462)	\$ 46,778,292
Other comprehensive (expenses)/income:		
Exchange differences arising on translation of financial statements of overseas subsidiaries	\$ (900,850)	\$ (816,841)
Share of exchange differences arising on translation recognised by associates	–	(8,119)
Surplus on revaluation of land and buildings held for own use	1,579,098	4,815,024
Fair value changes on available-for-sale investments	(9,027,618)	(76,226)
Other comprehensive (expenses)/income for the period	\$ (8,349,370)	\$ 3,913,838
Total comprehensive (expenses)/income for the period	\$ (72,313,832)	\$ 50,692,130
Total comprehensive (expenses)/income attributable to:		
Owners of the Company	\$ (72,299,762)	\$ 50,698,257
Non-controlling interests	(14,070)	(6,127)
Total comprehensive (expenses)/income for the period	\$ (72,313,832)	\$ 50,692,130

Condensed Consolidated Statement of Financial Position

At 31 December 2011 – unaudited (Expressed in Hong Kong dollars)

	Notes	31 December 2011	30 June 2011
Non-current assets			
Properties and equipment		\$ 33,378,244	\$ 32,748,874
Intangible assets		2,331,141	2,331,141
Interests in associates		16,080,868	30,709,686
Available-for-sale investments	9	29,726,859	25,645,747
Other receivable	10	40,000,000	–
Other financial assets		9,633,609	11,208,174
Other deposit	11	41,262,400	–
		\$ 172,413,121	\$ 102,643,622
Current assets			
Loan to an associate	12	\$ 1,197,410	\$ –
Available-for-sale investments	9	22,583,920	27,697,261
Financial assets at fair value through profit or loss	13	173,457,297	199,134,235
Accounts, loans and other receivables	14	208,866,040	310,616,354
Cash and cash equivalents	15	89,132,684	244,755,536
		\$ 495,237,351	\$ 782,203,386
Current liabilities			
Financial liabilities at fair value through profit or loss		\$ 443,690	\$ –
Accruals, accounts and other payables	16	74,310,376	196,769,638
Obligations under finance leases		–	55,569
Current taxation		1,670,978	1,675,607
		\$ 76,425,044	\$ 198,500,814
Net current assets		\$ 418,812,307	\$ 583,702,572
Total assets less current liabilities		\$ 591,225,428	\$ 686,346,194
Non-current liability			
Deferred tax liabilities		\$ 153,337	\$ 252,199
NET ASSETS		\$ 591,072,091	\$ 686,093,995
CAPITAL AND RESERVES			
Share capital		\$ 368,104,391	\$ 368,104,391
Reserves		222,967,700	317,851,435
Equity attributable to owners of the Company		\$ 591,072,091	\$ 685,955,826
Non-controlling interests		–	138,169
TOTAL EQUITY		\$ 591,072,091	\$ 686,093,995

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2011 – unaudited (Expressed in Hong Kong dollars)

	Attributable to owners of the Company													
	Share Capital	Share Premium	Share	Special reserve	Capital reserve on consolidation	Share options reserve	Warrants reserve	Exchange reserve	Revaluation reserve	Investments revaluation reserve	Retained earnings	Total	Non-controlling interests	Total
At 1 July 2011	\$ 368,104,391	\$ 94,273,918	\$ 94,273,918	\$ 39,800,000	\$ 63,391,540	\$ 5,921,333	\$ 21,641	\$ (4,037,283)	\$ 18,847,157	\$ 1,781,299	\$ 97,851,830	\$ 685,955,826	\$ 138,169	\$ 686,093,995
Loss for the period	-	-	-	-	-	-	-	-	-	-	\$ (63,950,392)	\$ (63,950,392)	\$ (14,070)	\$ (63,964,462)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	-	(900,850)	-	-	-	(900,850)	-	(900,850)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	-	-	1,579,098	-	-	1,579,098	-	1,579,098
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	-	(9,027,618)	-	(9,027,618)	-	(9,027,618)
Total comprehensive income/(expenses) for the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (900,850)	\$ 1,579,098	\$ (9,027,618)	\$ (63,950,392)	\$ (72,299,762)	\$ (14,070)	\$ (72,313,832)
2011 final dividend paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (25,767,307)	\$ (25,767,307)	\$ -	\$ (25,767,307)
Recognition of equity-settled share-based payment	-	-	-	-	-	3,183,334	-	-	-	-	-	3,183,334	-	3,183,334
Return of capital to non-controlling interests of a liquidated subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(124,099)	(124,099)
Warrants lapsed	-	-	-	-	-	-	(21,641)	-	-	-	21,641	-	-	-
At 31 December 2011	\$ 368,104,391	\$ 94,273,918	\$ 94,273,918	\$ 39,800,000	\$ 63,391,540	\$ 9,104,667	\$ -	\$ (4,938,133)	\$ 20,426,255	\$ (7,246,319)	\$ 8,155,772	\$ 591,072,091	\$ -	\$ 591,072,091
At 1 July 2010	\$ 324,822,391	\$ 31,811,160	\$ 31,811,160	\$ 39,800,000	\$ 63,391,540	\$ -	\$ -	\$ (2,573,159)	\$ 11,499,133	\$ -	\$ 86,163,500	\$ 554,914,585	\$ 159,589	\$ 555,074,174
Profit/(loss) for the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,784,419	\$ 46,784,419	\$ (6,127)	\$ 46,778,292
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	-	(816,841)	-	-	-	(816,841)	-	(816,841)
Share of exchange differences arising on translation recognised by associates	-	-	-	-	-	-	-	(8,119)	-	-	-	(8,119)	-	(8,119)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	-	-	4,815,024	-	-	4,815,024	-	4,815,024
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	-	(76,226)	-	(76,226)	-	(76,226)
Total comprehensive income/(expenses) for the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (824,960)	\$ 4,815,024	\$ (76,226)	\$ 46,784,419	\$ 50,698,257	\$ (6,127)	\$ 50,692,130
2010 final dividend paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (22,737,567)	\$ (22,737,567)	\$ -	\$ (22,737,567)
Shares issued	43,282,000	62,526,758	62,526,758	-	-	-	-	-	-	-	-	105,808,758	-	105,808,758
Warrants issued	-	-	-	-	-	-	21,641	-	-	-	-	21,641	-	21,641
At 31 December 2010	\$ 368,104,391	\$ 94,337,918	\$ 94,337,918	\$ 39,800,000	\$ 63,391,540	\$ -	\$ 21,641	\$ (3,398,119)	\$ 16,314,177	\$ (76,226)	\$ 110,210,352	\$ 688,705,674	\$ 153,462	\$ 688,859,136

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2011 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2011	2010
Operating activities		
Operating (loss)/profit before change in working capital	\$ (70,490,510)	\$ 39,076,395
Decrease in financial assets at fair value through profit or loss	25,676,938	61,083,456
Decrease in accounts, loans and other receivables	61,750,314	106,473,259
Decrease in accruals, accounts and other payables	(122,459,262)	(168,612,319)
Other operating cash flow	2,018,256	1,613,648
Cash (used in)/generated from operations	\$ (103,504,264)	\$ 39,634,439
Interest received	9,602,630	2,070,995
Dividend received	3,393,481	4,434,097
Interest paid	(1,646)	(399,146)
Hong Kong Profits Tax paid	(4,629)	–
Net cash (used in)/generated from operating activities	\$ (90,514,428)	\$ 45,740,385
Investing activities		
Payment for purchase of available-for-sale investments	\$ (7,995,389)	\$ (19,500,000)
Payment for purchase of properties and equipment	(106,016)	(910,084)
Payment for the deposits for purchase of properties	(41,262,400)	–
Return of capital from an associate	11,400,000	–
Additional investment in an associate	(234)	–
Loan to an associate	(1,197,410)	–
Net cash used in investing activities	\$ (39,161,449)	\$ (20,410,084)
Financing activities		
Net proceeds from issue of equity shares	\$ –	\$ 105,808,758
Dividends paid to owners of the Company	(25,767,307)	(22,737,567)
Proceeds from bank loans	20,000,000	35,000,000
Repayment of bank loans	(20,000,000)	(35,376,262)
Return of capital to non-controlling interests of a liquidated subsidiary	(124,099)	–
Other financing activities	(55,569)	(284,136)
Net cash (used in)/generated from financing activities	\$ (25,946,975)	\$ 82,410,793
Net (decrease)/increase in cash and cash equivalents	\$ (155,622,852)	\$ 107,741,094
Cash and cash equivalents at 1 July 2011/2010	244,755,536	198,799,944
Cash and cash equivalents at 31 December 2011/2010	\$ 89,132,684	\$ 306,541,038
Bank balances and cash	\$ 89,132,684	\$ 306,541,038

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

1 Basis of preparation

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

2 Significant Accounting Policies

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

A number of new or revised Standards, Amendments and Interpretations are effective for the Group's financial year beginning on 1 July 2011. The adoption of the new and revised Standards, Amendments and Interpretations had no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented. Except as mentioned in Note 3 below, the accounting policies, presentation and methods of computation used in these unaudited condensed consolidated financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 30 June 2011.

3 Restatement of comparatives

In prior years, the net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value (the "balance") was classified under turnover. In the current period, the directors of the Company have determined that the balance is presented separately from turnover which improves the presentation of condensed consolidated income statement. Accordingly, the comparatives of the condensed consolidated income statement restated the turnover of the Group to exclude the balance of \$57,788,083 which is excluded from the turnover of the Group and is presented as a separate line item.

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

4 Segment information

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

	Six months ended 31 December 2011						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Revenue from external customers	\$ 5,164,629	\$ 4	\$ 33,075,333	\$ 25,801,926	\$ 325,041	\$ 288,262	\$ 64,655,195
Inter-segment revenue	1	-	480,691	-	-	10,955,818	11,436,510
Net loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	(53,873,662)	-	(64,712)	-	-	-	(53,938,374)
Other income	7,721	-	130,107	159,027	-	1,133,983	1,430,838
Segment revenue	\$ (48,701,311)	\$ 4	\$ 33,621,419	\$ 25,960,953	\$ 325,041	\$ 12,378,063	\$ 23,584,169
Eliminations							(11,436,510)
Total income							\$ 12,147,659
Segment results	\$ (52,158,702)	\$ (551,663)	\$ (3,943,298)	\$ 3,241,011	\$ (347,993)	\$ (7,073,627)	\$ (60,834,272)
Share of (losses)/profit of associates	\$ -	\$ (2,720,428)	\$ (513,471)	\$ 4,847	\$ -	\$ -	(3,229,052)
Loss before tax							\$ (64,063,324)

	Six months ended 31 December 2010						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Revenue from external customers, as restated	\$ 3,146,002	\$ -	\$ 35,825,571	\$ 13,330,044	\$ 43	\$ 407,946	\$ 52,709,606
Inter-segment revenue	281	-	1,932,621	1,662,266	-	8,962,521	12,557,689
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	58,019,976	-	(231,893)	-	-	-	57,788,083
Other income	46,400	-	252,127	704,644	-	2,420,158	3,423,329
Segment revenue	\$ 61,212,659	\$ -	\$ 37,778,426	\$ 15,696,954	\$ 43	\$ 11,790,625	\$ 126,478,707
Eliminations							(12,557,689)
Total income							\$ 113,921,018
Segment results	\$ 53,469,164	\$ (197,564)	\$ (4,951,074)	\$ 1,894,224	\$ (231,343)	\$ (4,280,178)	\$ 45,703,229
Share of profits of associates	\$ -	\$ 997,408	\$ 99,266	\$ -	\$ -	\$ -	1,096,674
Profit before tax							\$ 46,799,903

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

4 Segment information (Continued)

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

	31 December 2011	30 June 2011
Investment in securities	\$ 182,866,566	\$ 209,359,821
Structured investment	56,432,053	65,201,206
Brokerage	300,880,887	445,172,344
Corporate finance and capital markets	10,477,533	15,091,122
Asset management	798,480	817,786
Others	116,194,953	149,204,729
Total segment assets	\$ 667,650,472	\$ 884,847,008

5 (Loss)/profit before tax

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

	Six months ended 31 December	
	2011	2010
Net (loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value		
– equity securities	\$ (55,243,207)	\$ 54,846,386
– debt securities	(5,942,812)	–
– derivatives and others	7,247,645	2,941,697
Dividends from listed equity securities	2,846,114	3,126,397
Interest income from		
– bank deposits	533,919	139,143
– margin and IPO financing	5,487,172	1,930,970
– debt securities	2,317,852	–
– other financing	1,680,000	–
– others	4,650	882
Staff costs	(37,800,836)	(39,594,681)
Operating lease charges – land and buildings	(5,043,779)	(5,028,663)
Depreciation	(1,063,417)	(1,315,925)
Interest on		
– bank loans and overdrafts	(29,491)	(366,842)
– obligations under finance leases	(731)	(32,023)
– others	(915)	(134)
(Impairment losses)/reversal of impairment losses for accounts receivable (net)	(200,607)	2,319,452
Exchange gain (net)	844,781	950,750

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

6 Income tax in the condensed consolidated income statement

	Six months ended 31 December	
	2011	2010
Deferred tax credit/(charge)		
– Tax for the period	\$ 98,862	\$ (21,611)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the current and prior periods. No tax is payable on the profits of certain subsidiaries for the period arising in Hong Kong since the estimated assessable profits of these subsidiaries of the Group of \$2 million (2010: \$51 million) are wholly absorbed by tax losses brought forward.

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately \$381 million (30 June 2011: \$321 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will not expire under current tax regulation.

7 Dividends

Dividends recognised as distributions during the period

	Six months ended 31 December	
	2011	2010
Final dividend in respect of the previous financial year, declared and paid of 0.7 cent per share (2010: 0.7 cent per share)	\$ 25,767,307	\$ 22,737,567

Subsequent to the end of the interim reporting period, at a meeting held on 13 February 2012, the directors declared an interim dividend of 0.2 cent per share (31 December 2010: 0.33 cent per share) with an aggregate amount of \$7,362,088 (31 December 2010: \$12,147,445) based on the number of shares in issue at 13 February 2012.

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

8 (Loss)/earnings per share

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

	Six months ended 31 December	
	2011	2010
(Loss)/earnings		
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share (Loss)/profit for the period attributable to owners of the Company	\$ (63,950,392)	\$ 46,784,419
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	3,681,043,906	3,295,883,254
Effect of dilutive potential ordinary shares – warrants	–	14,059
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	3,681,043,906	3,295,897,313

Note:

The computation of diluted loss per share for the six months ended 31 December 2011 does not assume the exercise of the Company's share options and warrants because the exercise prices of those share options and warrants were higher than the average market price for the shares during the period. The warrants issued in November and December 2010 lapsed in the current period.

9 Available-for-sale investments

	Notes	31 December 2011	30 June 2011
Unlisted investments:			
– Investment funds at fair value	(a)	\$ 21,731,470	\$ 25,645,747
– Partnership shares at cost	(b)	7,995,389	–
– Equity security at fair value	(c)	–	27,697,261
Listed investment:			
– Equity security at fair value	(c)	22,583,920	–
		\$ 52,310,779	\$ 53,343,008
Analysed for reporting purposes as:			
Non-current assets		\$ 29,726,859	\$ 25,645,747
Current assets		22,583,920	27,697,261
		\$ 52,310,779	\$ 53,343,008

Notes:

- The fair value of the investment funds are based on the net assets values of the investment funds reported to the Trustees by the administrators as of the end of the reporting period.
- During the period, the Group purchased partnership warrants from a fellow subsidiary for \$780,000 and converted them into 13,215 partnership shares at US\$70 per share. The partnership shares are stated at cost because their fair value cannot be measured reliably as the variability in the range of reasonable fair value estimates is significant.
- The equity security was listed on the main board of the Stock Exchange of Hong Kong on 4 July 2011 and its fair value is based on its quoted bid price as at 31 December 2011. At 30 June 2011, its fair value was measured by its initial public offering price as the price was confirmed on 30 June 2011. The fair value measurement of the equity security is transferred from level 2 to level 1 during the current period.

Notes to Condensed Consolidated Financial Statements*(Expressed in Hong Kong dollars)***10 Other receivable**

During the year ended 30 June 2011, the Group deposited an amount of \$40,000,000, (the “Escrow Funds”), into an escrow account maintained by an international law firm in Hong Kong pursuant to the terms of an escrow agreement dated 28 March 2011. As has been widely reported, a partner of the law firm with which the funds were deposited has been arrested by the Hong Kong Police and charged with theft and forgery with respect to monies held in the law firm’s escrow account. During the current period, the Group has been informed that the law firm is not in a position to confirm that it will accept liability for and make prompt arrangements for the return of funds alleged to have been provided by the Group. The Group’s legal advisors have reviewed the documentary evidence in respect of the escrow agreement, have analysed the legal duties and obligations of the law firm arising from the terms of the escrow agreement and have analysed the legal and professional duties and obligations of the law firm arising from the receipt of the Escrow Funds (which were client monies and held in trust). The Group’s legal advisors are of the opinion that the Group has good prospects of obtaining judgement against the law firm for the return of the Escrow Funds. Accordingly, the Group has not recognised any impairment loss as at the end of the reporting period.

In December 2011, the management of the Group filed a writ of summons to recover the Escrow Funds. As the timing of recovering this amount may now be longer than twelve months, the Group has reclassified the Escrow Funds as a non-current asset, from the current assets which was presented as accounts, loans and other receivables for the year ended 30 June 2011. The Group may not eventually recover the Escrow Funds in full, however, the management of the Group currently considers such eventual outcome is not likely taking into account the nature of the escrow agreement and the opinion of the Group’s legal advisors as set forth above. Alternatively, if necessary, the management will take all possible courses of action in order to fully recover any remaining amount from the assets of the partners of the law firm.

11 Other deposit

The deposit of \$41,262,400 (30 June 2011: Nil) was placed with an escrow agent of a third party vendor for the acquisition of a property in Hong Kong. The transaction was completed in January 2012 and the deposit was transferred to property and equipment.

12 Loan to an associate

As at 31 December 2011, the Group had a loan to an associate of British Pound 100,000 (30 June 2011: Nil). The loan is interest-bearing at 2% per annum and is repayable with the term of one year from the date of the loan agreement.

13 Financial assets at fair value through profit or loss

<i>Note</i>	31 December 2011	30 June 2011
Held for trading investments include:		
Listed equity securities, at quoted bid price		
– in Hong Kong	\$ 139,840,041	\$ 166,415,403
Listed debt securities, at quoted bid price		
– in Hong Kong	7,626,240	7,745,400
– outside Hong Kong	25,982,916	24,823,432
	\$ 173,449,197	\$ 198,984,235
Unlisted investments, at fair value		
– derivative instruments <i>(a)</i>	\$ 8,100	\$ 150,000
	\$ 173,457,297	\$ 199,134,235

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

13 Financial assets at fair value through profit or loss (Continued)

Note:

- (a) Fair value of unlisted options issued by a listed company is determined using a Black – Scholes model. The expected volatility is based on the historic volatility, and calculated based on the contractual life of share options. The options provide the right to the Group to purchase 1,500,000 shares of this listed company at an exercise price of \$3.2 per share after the share consolidation completed in August 2011 and will expire on 17 January 2013.

14 Accounts, loans and other receivables

	Notes	31 December 2011	30 June 2011
Accounts and loans receivables			
Amounts due from brokers and clearing houses	(a)	\$ 66,854,670	\$ 152,808,334
Amounts due from margin clients	(b)	104,612,796	65,084,880
Amounts due from cash clients	(c)	32,912,217	43,160,763
Other accounts receivable		3,713,447	9,614,044
		\$ 208,093,130	\$ 270,668,021
Less: Impairment losses		(3,618,097)	(3,617,490)
		\$ 204,475,033	\$ 267,050,531
Prepayments, deposits and other receivables	(d)	4,391,007	43,565,823
		\$ 208,866,040	\$ 310,616,354

Notes:

- (a) Amounts due from brokers and clearing houses are required to be settled on the settlement day determined under the relevant market practices or exchange rules.
The Group maintains clients' monies arising from the ordinary course of business of dealing in options and futures contracts in trust with The SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKFECC"). At 31 December 2011, the Group held \$6,710,499 (30 June 2011: \$5,116,250) with SEOCH and \$9,362,620 (30 June 2011: \$10,105,939) with HKFECC in trust for clients which were not dealt with in these unaudited condensed consolidated financial statements.
- (b) Margin clients of the brokerage division are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 31 December 2011, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately \$569 million (30 June 2011: \$588 million). The amounts due from margin clients are repayable on demand and bear interest at commercial rates.
- (c) There are no credit facilities granted to cash clients of the brokerage division except for refinancing of IPO subscriptions. They are required to settle their securities trading balances on the settlement day determined under the relevant market practices or exchange rules.
- (d) At 30 June 2011, the balance included a deposit of \$40,000,000 placed in the escrow account of an international law firm. The balance was reclassified to non-current asset in the current period because it may take more than twelve months to recover the balance. Details on the receivable are provided in note 10 to the accounts.

Notes to Condensed Consolidated Financial Statements*(Expressed in Hong Kong dollars)***14 Accounts, loans and other receivables (Continued)**

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

	31 December 2011	30 June 2011
Current and within one month	\$ 200,979,348	\$ 262,737,621
More than one month and within three months	2,364,028	2,907,567
More than three months	1,131,657	1,405,343
	\$ 204,475,033	\$ 267,050,531

15 Cash and cash equivalents

The Group maintains segregated clients' accounts with licensed banks to hold clients' monies arising from normal business transactions in connection with the Group's brokerage activities. As at 31 December 2011, segregated clients' accounts not otherwise dealt with in the unaudited condensed consolidated statement of financial position amounted to \$403,349,855 (30 June 2011: \$445,140,395).

16 Accruals, accounts and other payables

	31 December 2011	30 June 2011
Accounts payable (current and within one month)		
Amounts due to brokers and clearing houses	\$ 5,924,088	\$ 45,464
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	52,151,696	162,042,152
Others	3,761,797	6,285,593
	\$ 61,837,581	\$ 168,373,209
Other creditors and accruals	12,472,795	28,396,429
	\$ 74,310,376	\$ 196,769,638

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

17 Contingent liabilities

	Company	
	31 December 2011	30 June 2011
Guarantees for banking facilities to subsidiaries	\$ 234,200,000	\$ 273,200,000
Other guarantees to a subsidiary	13,000,000	13,000,000
Total	\$ 247,200,000	\$ 286,200,000

18 Commitments

(A) CAPITAL COMMITMENTS

	Note	31 December 2011	30 June 2011
Contracted but not provided for – property	(i)	\$ 165,049,600	\$ –
Contracted but not provided for – equipment		15,000	859,504
		\$ 165,064,600	\$ 859,504

- (i) The Group has entered into an agreement with a third party vendor for the purchase of a property located in Hong Kong. Deposits of approximately \$41 million have been placed with the escrow agent of the vendor. The Group has committed to pay the remaining balance of approximately \$165 million, representing 80% of the total purchase consideration, in January 2012. The transaction was completed in January 2012.

(B) COMMITMENTS UNDER OPERATING LEASES AS LESSEE

As at 31 December 2011 and 30 June 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	31 December 2011	30 June 2011
Within one year	\$ 5,266,788	\$ 10,519,008

(C) OTHER COMMITMENTS

- (i) As at 31 December 2011, the Group did not have any underwriting commitment (30 June 2011: \$45 million of gross commitment in relation to the IPO and right issues of certain companies listed in the Hong Kong Stock Exchange).

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

19 Material related party transactions

The following is a summary of significant related party and connected party (as defined in the Listing Rules) transactions which were carried out in the normal course of the Group's business:

	Notes	Six months ended 31 December	
		2011	2010
Brokerage commission earned on securities, options, futures and commodities dealing	(a)		
– fellow subsidiaries		\$ 1,661	\$ 10,253
– non-controlling interest of a non-wholly owned subsidiary		1,352,478	1,874,516
– Group's directors and their associates		196,054	342,225
Common office expenses recharged			
– a fellow subsidiary	(b)	415,740	136,980
Consultancy and management fees received			
– a fellow subsidiary	(c)	270,000	356,000
Secretarial fee earned	(d)		
– fellow subsidiaries		–	59,249
– an associate		12,000	7,410
– an associated company of a Group's director		6,630	6,630
Purchase cost of the partnership warrants			
– a fellow subsidiary	(e)	780,000	–

Notes:

- (a) Commission rates are set at the same level as those normally offered to third party clients or the applicable staff rate if the clients are directors or employees of the Group.
- (b) The allocation of office overheads and rental expenses is primarily based on the percentage of floor area occupied by each company.
- (c) The fees mainly comprised a fixed monthly charge as agreed between the parties involved.
- (d) The fee was charged at rates similar to those normally charged to third party clients.
- (e) The partnership warrants were issued by a third party unlisted private fund in the legal form of a partnership and the purchase cost was agreed by both parties on normal commercial terms.

Notes to Condensed Consolidated Financial Statements*(Expressed in Hong Kong dollars)***20 Financial instruments**

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, price risk, foreign exchange risk and interest rate risk. These risks are limited by the Group's financial management policies and practices described below.

(A) CREDIT RISK

Credit risk arises from a number of areas. These include the possibility that a counterparty in a transaction may default during the settlement process. It also arises from lending, settlement, treasury, market making, proprietary trading and other activities undertaken by the Group.

The Group's Finance and Credit Committees are responsible for establishing the credit approval and monitoring procedures, which are in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by the Hong Kong Securities and Futures Commission.

Day-to-day credit management is performed by the Operations Department with reference to the aforementioned criteria including creditworthiness, collateral pledged and risk concentration of the counterparties. The Finance Committee and Credit Committee are responsible for review of guidelines on credit limits on a regular basis and approval of specific loans or advances if the amount exceeds our pre-set guideline.

(B) LIQUIDITY RISK

The Group manages its liquidity position to ensure the Group maintains a prudent and adequate liquidity ratio, in strict accordance with statutory requirements. This is achieved by the management, comprising the Chief Financial Officer and the Assistant Financial Controller monitoring the liquidity position of the Group on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations and compliance with statutory requirements such as the Hong Kong Securities and Futures (Financial Resources) Rules applying to various licensed subsidiaries.

(C) PRICE RISK

The Group is exposed to price changes arising from investments classified as financial assets or financial liabilities at fair value through profit or loss and available-for-sale investments.

The Group's listed equity investments, listed equity derivatives and listed debt securities investments are mainly listed on the Stock Exchange of Hong Kong and the Singapore Exchange Securities Trading Limited. Unlisted investment funds, which are mainly focusing on Asian equities, are re-valued based on the net assets values of the investment funds reported to the Trustees by the administrators regularly. Decisions to buy or sell trading securities are rested with assigned investment managers and governed by specific investment guidelines. The Board has set up the Investment Monitoring Committee ("IMC") for the purposes of independently monitoring the positions of its proprietary trading activities involving equities and derivatives. In addition to the IMC, the Group's exposures are closely monitored by the Finance Department and senior management on a daily basis and are measured on a "mark-to-market" basis. The Group's various proprietary trading activities are reported monthly to senior management for review.

Notes to Condensed Consolidated Financial Statements*(Expressed in Hong Kong dollars)***20 Financial instruments (Continued)****(C) PRICE RISK (Continued)**

Due to the poor performance of the capital markets in Asia resulting from unstable global market conditions and European sovereign debt crisis during the period, the fair value of the financial assets/financial liabilities at fair value through profit or loss and available-for-sale investments have been significantly adversely affected.

(D) FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings or capital arising from movements of foreign exchange rates. Foreign exchange risk is monitored by the Finance Department and senior management on a daily basis. Monetary assets are measured daily on a “mark-to-market” basis. Non-current assets are revalued regularly using the market exchange rates. Overall positions are reported monthly to senior management for review.

The Group’s foreign exchange risk primarily arises from currency exposures originating from its proprietary investments. Principal brokerage and lending operations are mainly carried out in local currency to obviate foreign exchange risk. Accordingly, the Group has no significant exposure to foreign exchange fluctuations on accounts and loans receivables.

(E) INTEREST RATE RISK

Interest rate risk primarily results from timing differences in the re-pricing of interest bearing assets, liabilities and commitments. The Group’s interest rate risk exposure arises mainly from bank balances, margin financing, short-term bank loans and other lending activities undertaken. The short-term bank loans are mainly utilised for re-financing customers’ borrowings which the Group has the legal capacity to quickly recall the margin loans or re-price the loans to an appropriate level. Interest rates paid by the Group are managed by the Finance Department with the aim of maximising the spread of interest consistent with liquidity and funding obligations.

21 Event after the reporting period

During the period, the Group has entered into an agreement with a third party vendor to acquire a property in Hong Kong for a purchase price of approximately \$206 million. The transaction was completed in January 2012. The Group entered into a mortgage loan agreement for a loan amount of approximately \$103 million to finance the acquisition of the property in January 2012.

Management Discussion and Analysis

The Market

The European Sovereign Debt crisis has been a bigger and longer uncertainty than expected. After reaching a three years low at the beginning of October 2011, the markets rebound strongly and the optimistic sentiments spread to 2012. Most of the markets witnessed strong gains in January. The continued tightening of liquidity has negatively affected the PRC markets and Hong Kong was not excluded. However, with the gradual improvement in inflation data, there are signs that China may begin to relax its monetary policies soon. The financial markets will continue to react nervously to any new development in the European Debt crisis.

The Hang Seng Index closed at 18,434 at the end of December 2011, compared with 22,398 at the end of June 2011 and 23,035 at the end of December 2010. The average monthly turnover on the Main Board of Hong Kong Stock Exchange during the six months ended 31 December 2011 ("the first half year of FY2012") was approximately HK\$1,372 billion, as compared to HK\$1,477 billion for the second half year of FY2011. Funds raised from IPOs on the Main Board in the first half year of FY2012 amounted to HK\$84 billion, around half of the HK\$174 billion raised in the second half year of FY2011.

Financial Highlights

The loss for the first half year of FY2012 was HK\$64 million, as compared to a profit of HK\$47 million for the first half year of FY2011. The Group recorded a net loss on the disposal of financial assets and the remeasurement to fair value of HK\$54 million, as compared to a gain of HK\$58 million for the first half year of FY2011. This was mainly due to the poor performance of the Hong Kong capital markets during the period. Despite this difficult environment, the Group managed to increase the commission and fee income from HK\$48 million to HK\$52 million. We had an IPO client listed in July and this contributed to the improvement in the revenue. The interest income also increased substantially due to the increase in our margin loans portfolio. Commission expenses increased at a higher rate than commission and fee income due to higher proportion of underwriting rather than advisory revenue. General and administration expenses increased slightly, mainly reflecting the higher operating costs associated with the increase in headcounts in several direct client services departments.

The loss arising from fair value changes on available for sale investments included in Other Comprehensive Expense was mainly due to unrealised loss on some investments held and the decline was in line with the capital market performance. As explained in the notes to the financial statements, the Group has deposited HK\$40 million into an escrow account of a law firm but the law firm failed to return the money to the Group. The Group's legal advisors are of the opinion that the Group has good prospects to succeed in a legal claim against the law firm and accordingly no impairment loss has been recognised in the financial statements.

Brokerage

The revenue of the division was HK\$33.6 million for the first half year of FY2012, compared with HK\$37.8 million for the first half year of FY2011. Funds raised from IPOs on the Main Board and average daily market turnover decreased by 79% and 11% respectively in the first half year of FY2012 when compared with the first half year of FY2011. The decrease in commission income was partially compensated by a higher interest income from a bigger margin client portfolio.

The research department hosted the 2nd Annual Investors Conference in September 2011. The conference brought together listed companies and institutional investors to share the business strategies and latest development of those listed companies.

Management Discussion and Analysis

Corporate Finance and Capital Markets

The revenue of the division was HK\$26.0 million for the first half year of FY2012, compared with HK\$15.7 million for the first half year of FY2011. Despite of the general negative sentiments during the period, the division was able to take advantage of some windows of optimism and sponsored an IPO in July and being appointed the book runner for another IPO in December.

The Group is confident of the demand for quality advisory services and we have substantially increased our staff resources in this division to address the demand.

Asset Management

The revenue of the division was HK0.3 million for the first half year of FY2012. After remaining dormant for some time, the Group has decided to activate the asset management business. The Group has recruited a new fund manager and is looking for opportunities to set up small boutique funds for selected high net worth clients.

Investment in Securities

The division recorded negative revenue of HK\$48.7 million for the first half year of FY2012, compared with revenue of HK\$61.2 million for the first half year of FY2011. This was attributed to the net loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value of HK\$53.9 million. The performance of the division followed the poor capital market performance during the period.

Structured Investment

The investments of the division were classified as available-for-sale investments and accordingly any changes in fair values are included in Other Comprehensive Income/Expense. The division also suffered losses as a result of the poor performance of the capital market.

Outlook

January 2012 is a very good start for most markets. The Group believes that it has laid the foundation well in the difficult times and when the markets become active again, it will be able to produce good results for all stakeholders. Hong Kong is an open economy and is one of the most active capital markets. The developments in Europe, the United States and China will continue to affect us and the Group will equip itself to meet these challenges.

The Group has completed the purchase of an office property in January 2012. Management is evaluating various options to use these new premises to support our business growth.

Liquidity and Financial Resources

Total assets as at end of December 2011 were HK\$668 million, of which approximately 74% were current in nature. Net current assets were HK\$419 million, accounting for approximately 71% of the net assets of the Group as at end of December 2011.

The Group generally finances its operations from internal resources. The Group did not have any borrowing at the end of December 2011.

The Group entered into a mortgage loan agreement with the loan amount of approximately HK\$103 million to finance the acquisition of the property located in Hong Kong in January 2012. The Group's expected gearing ratio, calculated as percentage of total borrowings over shareholder's equity, would be increased to approximately 17% after the drawdown.

Capital Structure

The warrants issued in November and December 2010 lapsed in the current period.

Foreign Exchange Exposure

The Group's assets are mainly in Hong Kong and the PRC and most of the monetary assets and liabilities of the Group are denominated in HK\$. As part of our investment monitoring, financial assets denominated in foreign currencies, including equity and debt investments, are monitored on a daily basis together with the changes in market value of these investments. Hedging instruments may be used as part of the overall investment strategy if deemed necessary by the investment managers. The Group purchased properties in the PRC for its own use. Because of the steady appreciation of RMB against HK\$, the Group believes that there is no need to hedge these assets denominated in RMB. Management will monitor the situation closely and introduce suitable hedging measures if there are any adverse changes. The Group does not have other material exposure to fluctuation in exchange rates and no hedging instruments are used.

Risk Management

The Group's business, financial conditions and results of operations may be affected by risks and uncertainties pertaining to the Group's business. The factors explained below could cause the Group's financial condition or results of operations to differ materially from expected or historical results. Please refer to the note "Financial instruments" on page 17 for a more detailed discussion of specific risks. There may be other risks in addition to those mentioned in the Interim Report that are unknown to the Group, or which may not be material now but could be material in the future.

The Group's results are affected by trends in the industry in which it operates, particularly, investment, brokerage, corporate finance and capital markets. Income from these operations is dependent upon the interest rates, conditions in global investment and money markets, and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial conditions and results of operations.

The Group operates in highly competitive and rapidly changeable markets. New market entrants, the intensification of price competition by existing competitors, product innovation or technical advancement could adversely affect the Group's financial conditions and results of operations. When the price of securities (listed or unlisted) decreases, it will adversely affect the value of our investment portfolio.

The introduction of new legislation and rules by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Hong Kong Securities and Futures Commission and other regulatory bodies in Hong Kong and overseas may induce change in market conditions that may adversely affect the operating results of the Company.

Risk Management Policies and Procedures

The Group has established policies and procedures for risk management which are reviewed regularly by the management to ensure the proper monitoring and control of all major risks arising from the Group's activities at all times. The Group's Legal and Compliance Department, together with the Finance and Accounts Department and other control committees also perform regular reviews to supplement the various internal control measures adopted by the management and various divisions within the Group to ensure compliance with policies and procedures.

Employees

As at 31 December 2011, the number of full time employees of the Group was 133 (30 June 2011: 130). There have been no significant changes in the employment, training or development policies of the Group since the publication of the annual report for the year ended 30 June 2011.

Management Discussion and Analysis

Interim Dividend

The Board of Directors has declared an interim dividend of 0.2 HK cent per ordinary share for the six months ended 31 December 2011 (six months ended 31 December 2010: 0.33 HK cent). The dividend will be payable on or about Friday, 13 April 2012 to shareholders whose names appear on the Register of Members at the close of business on Friday, 23 March 2012.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 21 March 2012 to Friday, 23 March 2012, both days inclusive, during which period no transfers of shares will be registered. To determine entitlement to the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:00p.m. on Tuesday, 20 March 2012.

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 31 December 2011, the interests and/or short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV the Hong Kong Securities and Futures Ordinance ("SFO")), as recorded in the register maintained under Section 352 of the SFO or as notified to the Company were as follows:

(I) INTEREST IN LONG POSITIONS OF ORDINARY SHARES OF THE COMPANY

Name of director	Type of interest	Number of ordinary shares in the Company**	% of total issued shares**
Dr Jonathan Koon Shum Choi*	Corporate	2,413,181,327	65.56%
Ms Mary Yuk Sin Lam	Personal	7,500,000	0.20%
Mr Stanley Kam Chuen Ko	Personal	1,200,000	0.03%
Mr Michael Koon Ming Choi	Personal	1,094,000	0.03%

* Dr Jonathan Koon Shum Choi is deemed to be interested in 2,413,181,327 ordinary shares by virtue of the SFO. Such interest in shares is also set out under the section "Substantial shareholders' interests and short positions in the shares and underlying shares of the Company" shown on page 26.

** Excludes interest in share options to acquire ordinary shares of the Company which is disclosed in section (IV) below.

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (Continued)

(II) INTEREST IN LONG POSITIONS OF COMMON SHARES OF SUNWAH INTERNATIONAL LIMITED ("SIL"), THE ULTIMATE HOLDING COMPANY OF THE COMPANY

Name of director	Personal interest	Corporate interest	Other interest	Total number of common shares*	% of total issued shares*
Dr Jonathan Koon Shum Choi**	10,653,096	51,044,214 (Note 1)	–	61,697,310	66.8%
Ms Mary Yuk Sin Lam	3,301,098	–	12,915,060 (Note 2)	16,216,158	17.6%
Mr Michael Koon Ming Choi	106,937	–	–	106,937	0.1%
Mr Stanley Kam Chuen Ko	20,400	–	–	20,400	<0.1%

* Excludes interest in share options and convertible unsecured debentures to acquire common shares of SIL which is disclosed in section (V) and (VI) below.

** By virtue of his interest in SIL, Dr Jonathan Koon Shum Choi is deemed to be interested in the shares of the subsidiaries (including the Company as disclosed in section (I) above) of SIL under the SFO.

Notes:

(1) Of these, 36,966,159 shares are held by Sun Wah Capital Limited. Dr Jonathan Koon Shum Choi is deemed to be interested in these shares as he is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Sun Wah Capital Limited.

The remaining 14,078,055 shares are held by Scarlet Red Limited. Dr Jonathan Koon Shum Choi is deemed to be interested in these shares as he is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Scarlet Red Limited.

(2) Of these, 10,515,060 shares are held by Dynasty International Holdings Limited which is a wholly owned subsidiary of Global Fame Limited. Global Fame Limited is wholly owned by The WKC Lam Family Trust which is a discretionary trust with Ms Mary Yuk Sin Lam's two children as the beneficiaries. Ms Lam is a trustee of The WKC Lam Family Trust.

Of these, 2,400,000 shares are held by Abundant World Limited. Abundant World Limited is wholly owned by The Mary Lam Family Trust which is a discretionary trust with Ms Mary Yuk Sin Lam and her two children as the beneficiaries.

(III) INTEREST IN LONG POSITIONS OF ORDINARY SHARES OF HK WEAVER GROUP LIMITED, A FELLOW SUBSIDIARY OF THE COMPANY

Name of director	Type of interest	Number of ordinary shares	% of total issued shares
Ms Mary Yuk Sin Lam	Personal	28,518	2.2%
Ms Mary Yuk Sin Lam	Other	59,620	4.6%

Management Discussion and Analysis

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (Continued)**(IV) INTEREST IN SHARE OPTIONS TO ACQUIRE ORDINARY SHARES OF THE COMPANY**

Pursuant to the share option schemes operated by the Company, the details of the Company's directors' and chief executive's interest in the options under the scheme as at 31 December 2011 are as follows:

Name of director	Exercise Period	Date of options granted	Exercise price per share	At 1 July 2011	Issued during the period	At 31 December 2011
Dr Jonathan Koon Shum Choi*	11/1/2011 to 10/1/2014	11/1/2011	HK\$0.345	30,000,000	–	30,000,000
Mr Michael Koon Ming Choi**	11/1/2011 to 10/1/2014	11/1/2011	HK\$0.345	30,000,000	–	30,000,000
Ms Mary Yuk Sin Lam***	11/1/2011 to 10/1/2014	11/1/2011	HK\$0.345	10,000,000	–	10,000,000

* After the exercise of the options, Dr Jonathan Koon Shum Choi is deemed to beneficial control a total of 2,443,181,327 shares.

** After the exercise of the options, Mr Michael Koon Ming Choi is deemed to beneficial control a total of 31,094,000 shares.

*** After the exercise of the options, Ms Mary Yuk Sin Lam is deemed to beneficial control a total of 17,500,000 shares.

(V) INTEREST IN OPTIONS TO ACQUIRE COMMON SHARES OF SIL

Pursuant to the share option scheme operated by SIL, the details of the Company's directors' and chief executive's interest in options under the scheme as at 31 December 2011 are as follows:

Name of director	Exercise Period	Date of options granted	Exercise price per share	At 1 July 2011	Cancelled during the period	At 31 December 2011
Dr Jonathan Koon Shum Choi*	15/12/2010 to 15/12/2015	15/12/2010	C\$0.55	3,000,000	(833,350)	2,166,650
Mr Michael Koon Ming Choi**	15/12/2010 to 15/12/2015	15/12/2010	C\$0.55	3,000,000	(833,350)	2,166,650
Ms Mary Yuk Sin Lam***	15/12/2010 to 15/12/2015	15/12/2010	C\$0.55	200,000	(55,550)	144,450

* After the exercise of the options, Dr Jonathan Koon Shum Choi is deemed to beneficial control a total of 63,863,960 shares.

** After the exercise of the options, Mr Michael Koon Ming Choi is deemed to beneficial control a total of 2,273,587 shares.

*** After the exercise of the options, Ms Mary Yuk Sin Lam is deemed to beneficial control a total of 16,360,608 shares.

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (Continued)

(VI) INTEREST IN CONVERTIBLE UNSECURED DEBENTURES TO ACQUIRE COMMON SHARES OF SIL

Name of director	Type of interest	Principal amount of debentures	Number of underlying shares	Note
Dr Jonathan Koon Shum Choi*	Corporate	C\$4,500,000	8,181,818	(a)
Mr Michael Koon Ming Choi**	Corporate	C\$1,500,000	2,727,273	(a)

* The debentures are held by Sun Wah Capital Limited. Dr Jonathan Koon Shum Choi is deemed to be interested in these debentures as he is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Sun Wah Capital Limited. After the conversion of the debentures, Dr Jonathan Koon Sum Choi is deemed beneficial control a total of 69,879,128 shares. After the exercise of the share options and the conversion of the debentures, Dr Jonathan Koon Shum Choi is deemed to beneficial control a total of 72,045,778 shares.

** The debentures are held by Ideal Performance Limited, a company wholly owned by Mr Michael Koon Ming Choi who is deemed to be interested in these debentures. After the conversion of the debentures, Mr Michael Koon Ming Choi is deemed beneficial control a total of 2,834,210 shares. After the exercise of the share options and the conversion of the debentures, Mr Michael Koon Ming Choi is deemed to beneficial control a total of 5,000,860 shares.

Note:

(a) The debentures originally bore interest at the rate of 9% per annum payable semi-annually, matured on 19 September 2011 and were convertible into common shares of SIL at any time prior to the close of business on the earlier of maturity and the business day immediately preceding the date fixed for redemption at a conversion price of C\$0.80 per share. Subsequent to the amendments to terms of the debentures dated 31 December 2010, the interest rate of the debentures was adjusted to 1% per annum payable semi-annually and the maturity date of debentures was extended until 19 September 2013. The conversion price of the debentures was adjusted to C\$0.55 per share and resulted in an increase in the number of underlying shares on the conversion of the debentures of Dr Jonathan Koon Shum Choi and Mr Michael Koon Ming Choi from 5,625,000 shares to 8,181,818 shares and from 1,875,000 shares to 2,727,273 shares respectively.

Save as disclosed above, none of the directors and chief executive of the Company or any of their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares or debentures of the Company and associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

Save as disclosed above, as at 31 December 2011, none of the directors and chief executive had any interests or short positions in the shares of the Company and its associated corporations as defined in the SFO, and none of the directors and chief executive or their spouses or children under 18 years of age had been granted any rights to subscribe for the shares of the Company, or had exercised any such rights during the period.

Save as disclosed above, at no time during the period was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any other body corporate.

Management Discussion and Analysis

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

As at 31 December 2011, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests represent long positions in the shares of the Company.

	Name of shareholder	Country of incorporation	Number of ordinary shares in the Company		% of total issued shares	Note
			Direct interest	Deemed interest		
(1)	World Developments Limited	British Virgin Islands	2,413,181,327	–	65.56%	(a)
(2)	Innovation Assets Limited	British Virgin Islands	–	2,413,181,327	65.56%	(a)
(3)	SIL	Bermuda	–	2,413,181,327	65.56%	(a)
(4)	Sun Wah Capital Limited	British Virgin Islands	–	2,413,181,327	65.56%	(a)

Note:

- (a) These shares represent the same interest and are therefore duplicated amongst World Developments Limited, Innovation Assets Limited, SIL and Sun Wah Capital Limited. World Developments Limited is a wholly owned subsidiary of Innovation Assets Limited whose entire issued share capital is beneficially owned by SIL. Sun Wah Capital Limited beneficially owns approximately 40% of the issued share capital of SIL and therefore is deemed (by virtue of the SFO) to be interested in these 2,413,181,327 shares. Dr Jonathan Koon Shum Choi and his spouse, Ms Janice Wing Kum Kwan, beneficially owns or has control of more than one-third of the issued share capital of SIL and Sun Wah Capital Limited respectively and therefore is deemed (by virtue of the SFO) to be interested in these 2,413,181,327 shares.

Save as disclosed above, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified by any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Purchase, sale or redemption of shares

During the six months ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Code on Corporate Governance Practices

The Company has applied the principles and has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange for the six months ended 31 December 2011.

Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months period under review and they have all confirmed that they have complied with the required standard set out in the Model Code.

Changes in Board Composition and in Directors' Information

The changes in Board Composition and the Directors' information, respectively, as required to be disclosed pursuant to Chapter 13.51B(1) of the Listing Rules are set out below:

On 21 November 2011, the Company announced the retirement of Mr Michael Wu Wai Chung, as an Independent Non-executive Director, from the Board.

On 21 November 2011, the Company announced the appointment of Ms Elizabeth Law as an Independent Non-executive Director of the Company. Ms Law was also appointed a member of the audit committee and the compensation committee.

Mr Michael Koon Ming Choi, Chief Executive Officer and Executive Director:

The base salary and other allowance of Mr Michael Koon Ming Choi was increased to HK\$210,000 per month after the annual salary review effective 1 July 2011.

Ms Mary Yuk Sin Lam, Deputy Chairman and Executive Director:

The base salary and other allowance of Ms Mary Yuk Sin Lam was increased to HK\$150,000 per month after the annual salary review effective 1 July 2011.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the interim report and the unaudited condensed consolidated financial statements for the six months ended 31 December 2011. Terms of reference of the Audit Committee are available on request to shareholders of the Company.

On behalf of the Board

Michael Koon Ming Choi

Chief Executive Officer

Hong Kong, 13 February 2012

Independent Review Report

Deloitte.

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To the Board of Directors of Sunwah Kingsway Capital Holdings Limited

Introduction

We have reviewed the interim financial information set out on pages 2 to 18, which comprises the condensed consolidated statement of financial position of Sunwah Kingsway Capital Holdings Limited (the “Company”) and its subsidiary as of 31 December 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

13 February 2012

Directory of Licensed Subsidiaries and Affiliates

LICENSED SUBSIDIARIES OF SUNWAH KINGSWAY CAPITAL HOLDINGS LIMITED

Kingsway Financial Services Group Limited

Licensed Corporation of the Hong Kong
Securities and Futures Commission
Exchange Participant of The Stock Exchange of Hong Kong
Broker Participant of Hong Kong Securities
Clearing Company Limited
Exchange Participant of Hong Kong Futures Exchange
Participant of HKFE Clearing Corporation Limited
Options Trading Exchange Participant of SEHK
SEOCH Direct Clearing Participant
Lead Underwriter and Securities Broker licence for
B-Shares of Shenzhen and Shanghai Stock Exchanges
granted by the China Securities Regulatory Commission
B-Shares Special Seat Holder of Shenzhen Stock Exchange
B-Shares Tangible Trading Seat
Holder of Shanghai Stock Exchange
B-Shares Special Clearing Participant of China Securities
Depository and Clearing Corporation Limited
– Shenzhen Branch
B-Shares Clearing Participant of China Securities
Depository and Clearing Corporation Limited
– Shanghai Branch

Kingsway Capital Limited

Licensed Corporation of the Hong Kong
Securities and Futures Commission
Main Board and GEM Board Sponsor of The Stock
Exchange of Hong Kong

Kingsway SW Asset Management Limited

Licensed Corporation of the Hong Kong
Securities and Futures Commission

Kingsway SW Finance Limited

Money Lender registered with the HKSAR Government

AFFILIATED & OVERSEAS OFFICES

Canada

- Kingsway Capital of Canada Inc.
Suite 1200, 8 King Street East, Toronto,
Ontario, Canada M5C 1B5

China

- Kingsway Financial Services Group Limited
– Beijing Representative Office
- Beijing Kingsway Financial Consultancy Limited
Room 801, Building A, Beijing Fortune Plaza,
No. 7 Dongsanhuan Zhong Road, Chaoyang District,
Beijing, 100020, PRC
- Shanghai Kingsway Financial Consultancy Limited
Room 702B, Officer Tower, Jinmao Tower,
88 Century Avenue, Pudong, Shanghai, 200121, PRC
- Shenzhen Kingsway Financial Consultancy Limited
701, Tower A, Aerospace Skyscraper,
4019 Shennan Road, Futian District,
Shenzhen, 518048, PRC

ULTIMATE HOLDING COMPANY

Sunwah International Limited

A listed company on the Toronto Stock Exchange

SUNWAH KINGSWAY
新華滙富

Sunwah Kingsway Capital Holdings Limited
新華滙富金融控股有限公司

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