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SUNWAH KINGSWAY
新華滙富

SUNWAH KINGSWAY CAPITAL HOLDINGS LIMITED

新華滙富金融控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00188)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

The Board of Directors of Sunwah Kingsway Capital Holdings Limited (the “Company”) hereby submit the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2012

	<i>Notes</i>	Six months ended 31 December	
		2012	2011
		<i>HK\$</i>	<i>HK\$</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover	2		
Commission and fee income		33,946,691	51,785,488
Interest and dividend income		5,773,431	12,869,707
		<hr/>	<hr/>
		39,720,122	64,655,195
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	2	36,452,044	(53,938,374)
Net gain on disposal of available-for-sale investments	2	10,111,808	–
Other income	2	1,812,076	1,430,838
		<hr/>	<hr/>
		88,096,050	12,147,659
Operating expenses			
Commission expenses		(6,656,487)	(13,382,427)
General and administrative expenses		(53,197,903)	(59,568,367)
Finance costs		(1,404,316)	(31,137)
		<hr/>	<hr/>
		26,837,344	(60,834,272)
Share of profits/(losses) of associates		65,892	(3,229,052)
		<hr/>	<hr/>
Profit/(loss) before tax	3	26,903,236	(64,063,324)
Income tax credit	4	230,797	98,862
		<hr/>	<hr/>
Profit/(loss) for the period		27,134,033	(63,964,462)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		27,134,033	(63,950,392)
Non-controlling interests		–	(14,070)
		<hr/>	<hr/>
Profit/(loss) for the period		27,134,033	(63,964,462)
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings/(loss) per share	6	0.7 cent	(1.7) cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted earnings/(loss) per share	6	0.7 cent	(1.7) cents
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012

	Six months ended 31 December	
	2012	2011
	HK\$	HK\$
	(unaudited)	(unaudited)
		(restated)
Profit/(loss) for the period	27,134,033	(63,964,462)
Other comprehensive income/(expenses)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Surplus on revaluation of land and buildings held for own use (net of tax)	18,779,966	1,579,098
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of overseas subsidiaries	(816,962)	(900,850)
Fair value changes on available-for-sale investments	4,040,287	(9,027,618)
Reclassification upon disposal of available-for-sale investments	(1,327,449)	–
	1,895,876	(9,928,468)
Other comprehensive income/(expenses) for the period	20,675,842	(8,349,370)
Total comprehensive income/(expenses) for the period	47,809,875	(72,313,832)
Total comprehensive income/(expenses) attributable to:		
Owners of the Company	47,809,875	(72,299,762)
Non-controlling interests	–	(14,070)
Total comprehensive income/(expenses) for the period	47,809,875	(72,313,832)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	<i>Notes</i>	31 December 2012 HK\$ (unaudited)	30 June 2012 HK\$ (audited)
Non-current assets			
Properties and equipment		287,213,562	268,781,596
Intangible assets		2,331,141	2,331,141
Interests in associates		15,661,535	15,595,643
Available-for-sale investments		25,748,811	28,135,951
Other receivable	7	36,500,000	36,500,000
Other financial assets		7,673,978	7,452,241
Loan to an associate		1,252,060	–
		<u>376,381,087</u>	<u>358,796,572</u>
Current assets			
Loan to an associate		–	1,210,930
Available-for-sale investments		–	10,652,793
Financial assets at fair value through profit or loss		155,001,491	113,803,544
Accounts, loans and other receivables	8	129,473,926	144,782,217
Cash and cash equivalents		110,745,234	130,106,906
		<u>395,220,651</u>	<u>400,556,390</u>
Current liabilities			
Financial liabilities at fair value through profit or loss		2,499,492	–
Accruals, accounts and other payables	9	78,395,295	111,990,622
Bank loan – current portion		10,300,000	–
Current taxation		1,450,324	1,670,978
		<u>92,645,111</u>	<u>113,661,600</u>
Net current assets		<u>302,575,540</u>	<u>286,894,790</u>
Total assets less current liabilities		<u>678,956,627</u>	<u>645,691,362</u>
Non-current liabilities			
Non-current bank loan		92,700,000	103,000,000
Deferred tax liabilities		9,242,584	5,642,584
		<u>101,942,584</u>	<u>108,642,584</u>
NET ASSETS		<u>577,014,043</u>	<u>537,048,778</u>
CAPITAL AND RESERVES			
Share capital		368,104,391	368,104,391
Reserves		208,909,652	168,944,387
TOTAL EQUITY		<u>577,014,043</u>	<u>537,048,778</u>

NOTES:**1 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 and revised Hong Kong Financial Reporting standards (“HKFRSs”) are effective for the Group’s financial year beginning on 1 July 2012. The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income require companies to classify items within other comprehensive income under two categories: (i) items that will not be reclassified subsequently to profit or loss and (ii) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of the condensed consolidated statement of comprehensive income has been modified to reflect the changes. The adoption of other new and revised HKFRSs 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 described above, 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 2012.

2 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 2012						Consolidated HK\$
	Investment in securities HK\$	Structured investment HK\$	Brokerage HK\$	Corporate finance and capital markets HK\$	Asset management HK\$	Others HK\$	
Revenue from external customers	2,456,723	2	23,117,463	13,547,170	283,340	315,424	39,720,122
Inter-segment revenue	188	–	141,836	–	–	10,360,130	10,502,154
Segment revenue	2,456,911	2	23,259,299	13,547,170	283,340	10,675,554	50,222,276
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	36,462,286	–	(10,242)	–	–	–	36,452,044
Net gain on disposal of available-for-sale investments	–	10,111,808	–	–	–	–	10,111,808
Other income	61,919	–	277,190	26,693	–	1,446,274	1,812,076
Eliminations	(188)	–	(141,836)	–	–	(10,360,130)	(10,502,154)
Total income	<u>38,980,928</u>	<u>10,111,810</u>	<u>23,384,411</u>	<u>13,573,863</u>	<u>283,340</u>	<u>1,761,698</u>	<u>88,096,050</u>
Segment results	<u>36,080,265</u>	<u>9,453,113</u>	<u>(11,540,893)</u>	<u>(1,749,263)</u>	<u>(479,429)</u>	<u>(4,926,449)</u>	<u>26,837,344</u>
Share of profit/(loss) of associates	–	74,381	(8,489)	–	–	–	65,892
Profit before tax							<u>26,903,236</u>

	Six months ended 31 December 2011						
	Investment in securities <i>HK\$</i>	Structured investment <i>HK\$</i>	Brokerage <i>HK\$</i>	Restated Corporate finance and capital markets <i>HK\$</i>	Asset management <i>HK\$</i>	Others <i>HK\$</i>	Consolidated <i>HK\$</i>
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
Segment revenue	5,164,630	4	33,556,024	25,801,926	325,041	11,244,080	76,091,705
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
Eliminations	(1)	–	(480,691)	–	–	(10,955,818)	(11,436,510)
Total income	<u>(48,701,312)</u>	<u>4</u>	<u>33,140,728</u>	<u>25,960,953</u>	<u>325,041</u>	<u>1,422,245</u>	<u>12,147,659</u>
Segment results	<u>(52,158,702)</u>	<u>(551,663)</u>	<u>(3,943,298)</u>	<u>3,241,011</u>	<u>(347,993)</u>	<u>(7,073,627)</u>	<u>(60,834,272)</u>
Share of (losses)/profit of associates	–	(2,720,428)	(513,471)	4,847	–	–	(3,229,052)
Loss before tax							<u>(64,063,324)</u>

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

	31 December 2012 <i>HK\$</i>	30 June 2012 <i>HK\$</i>
Investment in securities	165,994,352	128,748,183
Structured investment	29,388,488	42,450,219
Brokerage	260,062,881	276,356,330
Corporate finance and capital markets	9,306,602	11,232,034
Asset management	2,180,637	1,085,424
Others	304,668,778	299,480,772
Total segment assets	<u>771,601,738</u>	<u>759,352,962</u>

During the interim period, the fair value of the Group's financial assets measured at fair value has significantly changed, details of which are disclosed in the Investment in Securities section of the Management Discussion and Analysis of the interim report.

3 PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 31 December	
	2012	2011
	HK\$	HK\$
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value		
– equity securities	32,942,639	(55,243,207)
– debt securities	3,267,176	(5,942,812)
– derivatives and others	242,229	7,247,645
Dividends from listed equity securities	687,895	2,846,114
Interest income from		
– bank deposits	1,060,903	533,919
– margin and IPO financing	1,958,390	5,487,172
– debt securities	1,746,645	2,317,852
– loans	284,022	1,680,000
– others	35,576	4,650
Staff costs	(31,876,355)	(37,800,836)
Operating lease charges – land and buildings	(1,242,500)	(5,043,779)
Depreciation	(4,907,137)	(1,063,417)
Interest expenses on		
– bank loans and overdrafts	(4,926)	(29,491)
– bank mortgage loan wholly repayable within five years	(1,396,672)	–
– obligations under finance leases	–	(731)
– others	(2,718)	(915)
Impairment losses for accounts receivable	(600,088)	(200,607)
Exchange gain (net)	1,101,749	844,781

4 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 31 December	
	2012	2011
	HK\$	HK\$
Current tax credit		
– Over provision in prior year	91,968	–
Deferred tax credit		
– Tax for the period	138,829	98,862
Income tax credit	230,797	98,862

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 HK\$46 million (2011: HK\$2 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 HK\$394 million (30 June 2012: HK\$421 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.

5 DIVIDENDS

Dividends recognised as distributions during the period

	Six months ended 31 December	
	2012	2011
	HK\$	HK\$
Final dividend in respect of the previous financial year, declared and paid of 0.25 HK cent per share (2011: 0.7 HK cent per share)	<u>9,202,610</u>	<u>25,767,307</u>

Subsequent to the end of the interim reporting period, at a meeting held on 8 February 2013, the directors declared an interim dividend of 0.2 HK cent per share (31 December 2011: 0.2 HK cent per share) with an aggregate amount of HK\$7,362,088 (31 December 2011: HK\$7,362,088) based on the number of shares in issue at 8 February 2013.

6 EARNINGS/(LOSS) PER SHARE

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

	Six months ended 31 December	
	2012	2011
	HK\$	HK\$
Earnings/(loss)		
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share (Profit/(loss) for the period attributable to owners of the Company)	<u>27,134,033</u>	<u>(63,950,392)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<u>3,681,043,906</u>	<u>3,681,043,906</u>

Note:

The computation of diluted earnings/(loss) per share for the six months ended 31 December 2012 and 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 periods.

7 OTHER RECEIVABLE

During the year ended 30 June 2011, the Group deposited an amount of HK\$40,000,000 (the “Escrow Funds”), into an escrow account maintained by an international law firm in Hong Kong pursuant to the terms of an escrow agreement dated 28 March 2011. As has been widely reported, a partner of the law firm with which the funds were deposited has been arrested by the Hong Kong Police and charged with theft and forgery with respect to monies held in the law firm’s escrow account.

The law firm has not returned the Escrow Funds despite the demand for payment by the Group. The Group has commenced legal proceeding against the law firm and its partners for recovery of the Escrow Funds. The Group’s legal counsel has reviewed the documentary evidence in respect of the escrow agreement, has analysed the legal duties and obligations of the law firm arising from the terms of the escrow agreement and has 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 counsel is of the opinion that the Group has good prospects on succeeding on its claim to recover the Escrow Funds and that it is very likely that any judgement obtained would be satisfied. However, there might be a reduction in the ultimate recovery of the Escrow Funds by the amount of the service fees paid to the Group and legal fees and expenses for the lawsuit which might not be entirely recovered.

The management of the Group currently considers that the Escrow Funds, excluding the fees paid to the Group, and the legal fees and expenses for the lawsuit would be recovered eventually, taking into account the nature of the escrow agreement and the opinion of Group’s legal counsel as set forth above. Moreover, in the event of the Group might not recover the Escrow Funds in full, the management will take all possible courses of action in order to recover the remaining amount from the assets of the partners of the law firm if necessary.

As the timing of recovering this amount is expected to be more than twelve months, the Group has discounted the Escrow Funds by using the effective interest method.

8 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	<i>Notes</i>	31 December 2012 HK\$	30 June 2012 HK\$
Accounts and loans receivables			
Amounts due from brokers and clearing houses	(a)	19,252,989	56,034,813
Amounts due from margin clients	(b)	45,360,269	65,899,581
Amounts due from cash clients	(c)	55,079,722	14,292,207
Fixed-rate loan receivable	(d)	6,000,000	–
Other accounts receivable	(e)	4,742,173	5,094,898
		130,435,153	141,321,499
Less: Impairment losses		(4,982,597)	(4,418,098)
		125,452,556	136,903,401
Prepayments, deposits and other receivables		4,021,370	7,878,816
		129,473,926	144,782,217

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 2012, the Group held HK\$7,347,695 (30 June 2012: HK\$5,857,612) with SEOCH and HK\$13,181,255 (30 June 2012: HK\$14,866,860) with HKFECC in trust for clients which were not dealt with in these unaudited condensed consolidated financial statements.

The amount due from a broker of HK\$3,028,283 was pledged as securities for the stock borrowing transactions (30 June 2012: HK\$7,161,310).

- (b) Margin clients of the brokerage division are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the value of securities accepted by the Group. At 31 December 2012, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$681 million (30 June 2012: HK\$470 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 re-financing of IPO subscriptions. They are required to settle their securities trading balances on the settlement day determined under the relevant market practices or exchange rules.
- (d) The credit terms for loans granted by the Group's brokerage division are set by management with reference to the financial background and the value and nature of collateral pledged by the borrowers. The contractual maturity date of the fixed-rate loan receivable is repayable within one year.
- (e) The balance included an amount of HK\$nil (30 June 2012: HK\$70,000) receivable from an associate arising from normal business transactions. The Group normally allows credit periods of up to 30 days to customers, except for certain creditworthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period.

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

	31 December	30 June
	2012	2012
	HK\$	HK\$
Current and within one month	122,811,862	133,799,974
More than one month and within three months	794,100	1,373,591
More than three months	1,846,594	1,729,836
	125,452,556	136,903,401

9 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December	30 June
	2012	2012
	<i>HK\$</i>	<i>HK\$</i>
Accounts payable		
(current and within one month)		
Amounts due to brokers and clearing houses	21,433,370	6,108,793
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	36,959,359	67,991,540
Others	1,285,637	15,009,704
	<hr/>	<hr/>
	59,678,366	89,110,037
Other creditors, accruals and other provision	18,716,929	22,880,585
	<hr/>	<hr/>
	78,395,295	111,990,622
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MANAGEMENT DISCUSSION AND ANALYSIS

The Market

The market had a slow start at the beginning of our fiscal year. The concerns of the European Sovereign Debts crisis and the US fiscal disputes gradually eased following more and more measures announced by the various governments and pan-European bodies. There are signs of stability in the Chinese economy following the change of leadership. The markets ended with a high note at the end of December 2012.

The Hang Seng Index closed at 22,657 at the end of December 2012, compared with 19,441 at the end of June 2012 and 18,434 at the end of December 2011. The average monthly turnover on the Main Board and GEM Board of Hong Kong Stock Exchange during the six months ended 31 December 2012 (“the first half year of FY2013”) was approximately HK\$1,062 billion, as compared to HK\$1,372 billion for the first half year of FY2012. Funds raised from IPOs on the Main Board in the first half year of FY2013 amounted to HK\$59 billion, as compared to HK\$84 billion for the first half year of FY2012.

Financial Highlights

The profit for the first half year of FY2013 was HK\$27 million, as compared to a loss of HK\$64 million for the first half year of FY2012. Commission and fee income for our financial intermediary business decreased from HK\$52 million to HK\$34 million for the first half year of FY2012 mainly due to the decrease in market activity. The corresponding commission expenses for capital markets also decreased. The interest income decreased substantially due to the lower demand for margin loans resulting from the considerably lower market turnover. The Group recorded a net gain on the disposal of financial assets/liabilities and the remeasurement to fair value of HK\$36 million, as compared to a loss of HK\$54 million for the first half of FY2012.

General and administrative expenses decreased by 11% to HK\$53 million for the first half year of FY2013. The decrease was mainly due to the drop in variable staff costs, which was in line with the lower commission and fee income. The rental expenses decreased significantly after the relocation of office, however, the decrease was partially offset by the increase in depreciation charged on the self-owned property.

The finance cost increased to HK\$1.4 million in the first half year of FY2013 because of the mortgage loan for financing the acquisition of the office property in January 2012.

As explained in the notes to the condensed consolidated 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 deposit to the Group. The Group’s legal counsel is of the opinion that the Group has good prospects of succeeding on its claim against the law firm and that it is very likely that any judgement obtained would be satisfied. However, there might be a reduction in the ultimate recovery of the Escrow Funds by the amount of the service fees paid to the Group and legal fees and expenses for the lawsuit which might not be entirely recovered.

Brokerage

Total revenue of the division was HK\$23.3 million for the first half year of FY2013, compared to HK\$33.6 million for the first half year of FY2012. The market sentiment improved after the launching of the third round of quantitative easing in the United States in September 2012. However, the average daily turnover decreased by 22% in the first half year of FY2013 when compared with the first half year of FY2012. Brokerage commission income decreased by 24% compared with the first half year of FY2012. The lower trading volume affected the demand of margin finances in the Hong Kong equity market. Interest income from margin and IPO financing decreased by 64% on a period-on-period basis to HK\$2 million and the margin client portfolio decreased by 57% when compared with the first half year of FY2012.

The research department hosted the Group's 3rd Annual Investors Conference in September 2012. The conference brought together listed companies and institutional investors to share the business strategies and latest development of those listed companies.

Corporate Finance and Capital Markets

Total revenue of the division was HK\$13.5 million for the first half year of FY2013, compared with HK\$25.8 million for the first half year of FY2012. Several listing applicants put off their IPO proposals or scaled down the fundraising sizes in FY2012. Such unfavorable market condition continued in the first half year of FY2013 and funds raised from IPOs on the Main Board declined by 30% when compared with the first half year of FY2012. The division explored fundraising opportunities in other foreign markets and completed a placing transaction for a company's initial public offering on the AIM Board of The London Stock Exchange.

Asset Management

Total revenue of the division was HK\$0.3 million for the first half year of FY2013. The division is looking for opportunities to set up small boutique funds for selected high net worth clients.

Investment in Securities

Total revenue of the division was HK\$2.5 million for the first half year of FY2013, compared with HK\$5.2 million for the first half year of FY2012. After including net gain/loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value, total income was HK\$39 million for the first half year of FY2013, compared with total negative income of HK\$48.7 million for the first half year of FY2012.

The Hang Seng Index increased by about 17% from end of June 2012 to end of December 2012 and the share prices of many major blue chips have reached recent high. As a result, the division recorded a net gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value of HK\$36.5 million for the first half year of FY2013. The interest income from debt securities and dividend income from listed securities decreased in the first half year of FY2013 because the shrinkage of the investment portfolio for the financing of the acquisition of the office property.

The division recruited a new investment manager to manage a new trading portfolio to diversify the investment portfolio and stabilise the investment returns.

Structured Investment

The division disposed of some available-for-sales investments and recognised fair value gain of HK\$10.1 million for the first half year of FY2013. The increase in fair value of an investment fund was recognised in Other Comprehensive Income and no impairment loss was recognised in this period. The division is now looking for suitable investment opportunities to diversify the portfolio.

Outlook

The markets are very positive in the beginning of calendar year 2013. The US market reached a five year high and Chinese market has a strong rebound from the trough since the financial tsunami. Turnover in the Hong Kong stock market in January 2013 reached a very healthy level. However, there are a number of uncertainties that the markets need to address in the coming months. The US congress needs to agree on a sustainable fiscal package before the debt ceiling is reached again at end of May. The Asia economies have to adapt to a new currency regime with the Japanese Yen devalued over 10% in the past month. Markets are also watching how united the EU is in resolving the political and economic problems it faces. We are cautiously optimistic on the market developments and will maximise the returns for our shareholders if the markets continue to perform in the remaining part of 2013.

Liquidity and Financial Resources

Total assets as at end of December 2012 were HK\$772 million, of which approximately 51% were current in nature. Net current assets were HK\$303 million, accounting for approximately 52% of the net assets of the Group as at end of December 2012.

The Group generally finances its daily operations from internal resources. The Group entered into a 3 years secured bank mortgage loan of HK\$103 million in January 2012 to partially finance the acquisition of office property. The office property with carrying value of HK\$235 million was pledged as security against bank loan granted to the Group. At the period end, the Group's gearing ratio, calculated as a percentage of total borrowing over shareholder's equity, was approximately 18%.

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\$ in the past few years, 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.

Employees

As at 31 December 2012, the number of full time employees of the Group was 131 (30 June 2012: 135). 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 2012.

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 2012 (six months ended 31 December 2011: 0.2 HK cent). The dividend will be payable on or about Wednesday, 10 April 2013 to shareholders whose names appear on the Register of Members at the close of business on Thursday, 28 March 2013.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited for the six months ended 31 December 2012 except for certain deviations which are summarised below:

CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting (AGM) of the Company. Pursuant to the Bye-laws of the Company, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Board considers that the non-executive directors appointed without a specific term will not impair the quality of corporate governance of the Group as required by the principles set out in CG Code A.4;

CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings, and develop a balanced understanding of the views of shareholders. Due to other business engagements, a Non-Executive Director could not attend the AGM of the Company held on 21 November 2012. However, there were sufficient Executive Directors, Independent Non-executive Directors and other Non-Executive Director present to enable the Board to develop a balanced understanding of the views of the Company’s shareholders.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months period under review and they have all confirmed that they have complied with the required standard set out in the Model Code.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 25 March 2013 to Thursday, 28 March 2013, 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 Friday, 22 March 2013.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the interim report and the unaudited condensed consolidated financial statements for the six months ended 31 December 2012. Terms of reference of the Audit Committee are available on request to shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The Group's external auditor has carried out a review of the unaudited condensed consolidated financial statements in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu independent review report is included in the interim report to be sent to shareholders.

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

Hong Kong, 8 February 2013

As at the date of this announcement, the directors of the Company are Jonathan Koon Shum Choi as Chairman, Mary Yuk Sin Lam as Deputy-Chairman & Executive Director, Michael Koon Ming Choi as Chief Executive Officer & Executive Director, Janice Wing Kum Kwan and Lee G. Lam as Non-Executive Directors and Robert Tsai To Sze, Stanley Kam Chuen Ko and Elizabeth Law as Independent Non-Executive Directors.