

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



Dedicated Services In Capital Markets For Over 20 Years



Interim Report

2012/13



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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

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law:

MinterEllison

15th Floor, Hutchison House,

10 Harcourt Road, 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

7th Floor, Tower One, Lippo Centre

89 Queensway, 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

26 Burnaby Street,

Hamilton HM 11, 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

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation 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

Robert Tsai To Sze

Elizabeth Law

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*)

Janice Wing Kum Kwan

Stanley Kam Chuen Ko

Condensed Consolidated Income Statement

For the six months ended 31 December 2012 – unaudited (Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2012	2011
Turnover			
Commission and fee income		\$ 33,946,691	\$ 51,785,488
Interest and dividend income		5,773,431	12,869,707
		\$ 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		36,452,044	(53,938,374)
Net gain on disposal of available-for-sale investments		10,111,808	–
Other income		1,812,076	1,430,838
	3	\$ 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)
		\$ 26,837,344	\$ (60,834,272)
Share of profits/(losses) of associates	3	65,892	(3,229,052)
Profit/(loss) before tax	4	\$ 26,903,236	\$ (64,063,324)
Income tax credit	5	230,797	98,862
Profit/(loss) for the period		\$ 27,134,033	\$ (63,964,462)
Attributable to:			
Owners of the Company		\$ 27,134,033	\$ (63,950,392)
Non-controlling interests		–	(14,070)
Profit/(loss) for the period		\$ 27,134,033	\$ (63,964,462)
Basic earnings/(loss) per share	7	0.7 cent	(1.7) cents
Diluted earnings/(loss) per share	7	0.7 cent	(1.7) cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2012 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2012	2011 (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 – unaudited (Expressed in Hong Kong dollars)

	Notes	31 December 2012	30 June 2012
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	8	25,748,811	28,135,951
Other receivable	9	36,500,000	36,500,000
Other financial assets		7,673,978	7,452,241
Loan to an associate	10	1,252,060	–
		\$ 376,381,087	\$ 358,796,572
Current assets			
Loan to an associate	10	\$ –	\$ 1,210,930
Available-for-sale investments	8	–	10,652,793
Financial assets at fair value through profit or loss	11	155,001,491	113,803,544
Accounts, loans and other receivables	12	129,473,926	144,782,217
Cash and cash equivalents	13	110,745,234	130,106,906
		\$ 395,220,651	\$ 400,556,390
Current liabilities			
Financial liabilities at fair value through profit or loss		\$ 2,499,492	\$ –
Accruals, accounts and other payables	14	78,395,295	111,990,622
Bank loan – current portion	15	10,300,000	–
Current taxation		1,450,324	1,670,978
		\$ 92,645,111	\$ 113,661,600
Net current assets		\$ 302,575,540	\$ 286,894,790
Total assets less current liabilities		\$ 678,956,627	\$ 645,691,362
Non-current liabilities			
Non-current bank loan	15	\$ 92,700,000	\$ 103,000,000
Deferred tax liabilities		9,242,584	5,642,584
		\$ 101,942,584	\$ 108,642,584
NET ASSETS		\$ 577,014,043	\$ 537,048,778
CAPITAL AND RESERVES			
Share capital		\$ 368,104,391	\$ 368,104,391
Reserves		208,909,652	168,944,387
TOTAL EQUITY		\$ 577,014,043	\$ 537,048,778

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2012 – unaudited (Expressed in Hong Kong dollars)

	Attributable to owners of the Company													
	Share capital	Share premium	Special reserve	Capital reserve on consolidation	Share options reserve	Share	Warrants reserve	Exchange reserve	Properties revaluation reserve	Investments revaluation reserve	(Accumulated losses)/retained earnings	Total	Non-controlling interests	Total
At 1 July 2012	\$ 368,104,391	\$ 94,273,918	\$ 39,800,000	\$ 63,391,540	\$ 10,192,000	\$ -	\$ -	\$ (4,487,425)	\$ 20,202,422	\$ -	\$ (54,428,068)	\$ 537,048,778	\$ -	\$ 537,048,778
Profit for the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,134,033	\$ 27,134,033	\$ -	\$ 27,134,033
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	-	(816,962)	-	-	-	(816,962)	-	(816,962)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	-	-	18,779,966	-	-	18,779,966	-	18,779,966
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	-	4,040,287	-	4,040,287	-	4,040,287
Reclassification upon disposal of available-for-sale investments	-	-	-	-	-	-	-	-	-	(1,327,449)	-	(1,327,449)	-	(1,327,449)
Total comprehensive income/(expenses) for the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (816,962)	\$ 18,779,966	\$ 2,712,838	\$ 27,134,033	\$ 47,809,875	\$ -	\$ 47,809,875
2012 final dividend paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,202,610)	\$ (9,202,610)	\$ -	\$ (9,202,610)
Recognition of equity-settled share-based payments	-	-	-	-	1,358,000	-	-	-	-	-	-	1,358,000	-	1,358,000
At 31 December 2012	\$ 368,104,391	\$ 94,273,918	\$ 39,800,000	\$ 63,391,540	\$ 11,550,000	\$ -	\$ (5,304,387)	\$ 38,982,388	\$ 38,982,388	\$ 2,712,838	\$ (36,496,645)	\$ 577,014,043	\$ -	\$ 577,014,043
At 1 July 2011	\$ 368,104,391	\$ 94,273,918	\$ 39,800,000	\$ 63,391,540	\$ 5,921,333	\$ -	\$ 21,641	\$ (4,037,283)	\$ 18,847,157	\$ 1,781,299	\$ 97,851,880	\$ 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)	\$ (72,298,762)	\$ (14,070)	\$ (72,313,832)
2011 final dividend paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (25,767,307)	\$ (25,767,307)	\$ -	\$ (25,767,307)
Warrants lapsed	-	-	-	-	-	-	(21,641)	-	-	-	21,641	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	3,183,334	-	-	-	-	-	-	3,183,334	-	3,183,334
Return of capital to non-controlling interests of a liquidated subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(124,099)	(124,099)
At 31 December 2011	\$ 368,104,391	\$ 94,273,918	\$ 39,800,000	\$ 63,391,540	\$ 9,104,667	\$ -	\$ (4,938,133)	\$ 20,426,255	\$ 20,426,255	\$ (7,246,319)	\$ 8,155,772	\$ 591,072,091	\$ -	\$ 591,072,091

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2012 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2012	2011
Operating activities			
Operating profit/(loss) before changes in working capital		\$ 17,754,809	\$ (70,490,510)
(Increase)/decrease in financial assets at fair value through profit or loss		(39,940,635)	25,676,938
Decrease in accounts, loans and other receivables		13,440,976	61,750,314
Decrease in accruals, accounts and other payables		(29,926,083)	(122,459,262)
Other operating cash flows		2,277,755	2,018,256
Cash used in operations		\$ (36,393,178)	\$ (103,504,264)
Interest received		5,115,238	9,602,630
Dividend received		1,268,196	3,393,481
Interest paid		(1,403,044)	(1,646)
Hong Kong Profits Tax paid		(128,686)	(4,629)
Net cash used in operating activities		\$ (31,541,474)	\$ (90,514,428)
Investing activities			
Payment for purchase of available-for-sale investment		\$ –	\$ (7,995,389)
Proceeds on disposal of available-for-sale investments		18,047,779	–
Return of investment cost of available-for-sale investment	8	7,816,800	–
Payment for purchase of properties and equipment		(4,482,167)	(106,016)
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 generated from/(used in) investing activities		\$ 21,382,412	\$ (39,161,449)
Financing activities			
Dividends paid to owners of the Company		\$ (9,202,610)	\$ (25,767,307)
Proceeds from bank loans		–	20,000,000
Repayment of bank loans		–	(20,000,000)
Return of capital to non-controlling interests of a liquidated subsidiary		–	(124,099)
Other financing activities		–	(55,569)
Net cash used in financing activities		\$ (9,202,610)	\$ (25,946,975)
Net decrease in cash and cash equivalents		\$ (19,361,672)	\$ (155,622,852)
Cash and cash equivalents at 1 July 2012/2011		130,106,906	244,755,536
Cash and cash equivalents at 31 December 2012/2011			
Bank balances and cash		\$ 110,745,234	\$ 89,132,684

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 ("HKAS 34") 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 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.

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

3 Segment information

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

	Six months ended 31 December 2012							Consolidated
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others		
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	\$ 38,980,928	\$ 10,111,810	\$ 23,384,411	\$ 13,573,863	\$ 283,340	\$ 1,761,698	\$ 88,096,050	
Segment results	\$ 36,080,265	\$ 9,453,113	\$ (11,540,893)	\$ (1,749,263)	\$ (479,429)	\$ (4,926,449)	\$ 26,837,344	
Share of profit/(loss) of associates	\$ -	\$ 74,381	\$ (8,489)	\$ -	\$ -	\$ -	65,892	
Profit before tax							\$ 26,903,236	

	Six months ended 31 December 2011							Consolidated
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others		
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	\$ (48,701,312)	\$ 4	\$ 33,140,728	\$ 25,960,953	\$ 325,041	\$ 1,422,245	\$ 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)	

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

3 Segment information (Continued)

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

	31 December 2012	30 June 2012
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	\$ 771,601,738	\$ 759,352,962

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.

4 Profit/(loss) before tax

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

	Six months ended 31 December	
	2012	2011
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

Notes to Condensed Consolidated Financial Statements*(Expressed in Hong Kong dollars)***5 Income tax in the condensed consolidated income statement**

	Six months ended 31 December	
	2012	2011
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 \$46 million (2011: \$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 \$394 million (30 June 2012: \$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.

6 Dividends

Dividends recognised as distributions during the period

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

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 cent per share (31 December 2011: 0.2 cent per share) with an aggregate amount of \$7,362,088 (31 December 2011: \$7,362,088) based on the number of shares in issue at 8 February 2013.

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

7 Earnings/(loss) per share

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

	Six months ended 31 December	
	2012	2011
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)	\$ 27,134,033	\$ (63,950,392)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	3,681,043,906	3,681,043,906

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.

8 Available-for-sale investments

	Notes	31 December 2012	30 June 2012
Unlisted investments:			
– Investment funds at fair value	(a)	\$ 17,753,422	\$ 20,140,562
– Partnership shares at cost	(b)	7,995,389	7,995,389
Listed investment:			
– Equity security listed in Hong Kong at fair value	(c)	–	10,652,793
		\$ 25,748,811	\$ 38,788,744
Analysed for reporting purposes as:			
Non-current assets		\$ 25,748,811	\$ 28,135,951
Current assets		–	10,652,793
		\$ 25,748,811	\$ 38,788,744

Notes:

- The fair values 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.
- The Group purchased partnership warrants from a fellow subsidiary for US\$100,000 (equivalent to \$780,000) and exercised them by subscribing for 13,215 limited partnership shares at US\$70 per share in previous year. The limited 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.
- During the six months ended 31 December 2012, the Group disposed of its investment in an equity security listed in Hong Kong. Pursuant to the investment agreement entered into with the vendors in 2011, the vendors guaranteed a minimum amount of the consolidated audited net profit of the investee company for the year ended 30 June 2010, 2011 and 2012. During the six months ended 31 December 2012, the vendors made payments of \$7,816,800 to the Group based on an agreed percentage of the shortfall of the guaranteed profit as reduction of the investment cost of the Group in this period.

Notes to Condensed Consolidated Financial Statements*(Expressed in Hong Kong dollars)***9 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.

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.

10 Loan to an associate

As at 31 December 2012, the Group granted to an associate a pro-rata shareholders' loan of British Pound 100,000, which was equivalent to \$1,252,060 (30 June 2012: British Pound 100,000, which was equivalent to \$1,210,930). The loan is interest-bearing at 2% per annum and is repayable in two years from the date of the loan agreement (30 June 2012: repayable in one year from the date of the loan agreement).

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

11 Financial assets at fair value through profit or loss

	Note	31 December 2012	30 June 2012
Held for trading investments include:			
Listed equity securities, at quoted bid price			
– in Hong Kong		\$ 121,611,610	\$ 86,516,934
– outside Hong Kong		1,447,694	–
Listed debt securities, at quoted bid price			
– in Hong Kong		8,023,440	7,975,776
– outside Hong Kong		23,918,747	19,310,834
		\$ 155,001,491	\$ 113,803,544
Unlisted investments, at fair value			
– derivative instruments	(a)	\$ –	\$ –
		\$ 155,001,491	\$ 113,803,544

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 be expired on 17 January 2013.

12 Accounts, loans and other receivables

	Notes	31 December 2012	30 June 2012
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 to Condensed Consolidated Financial Statements*(Expressed in Hong Kong dollars)***12 Accounts, loans and other receivables (Continued)***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 \$7,347,695 (30 June 2012: \$5,857,612) with SEOCH and \$13,181,255 (30 June 2012: \$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 \$3,028,283 was pledged as securities for the stock borrowing transactions (30 June 2012: \$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 \$681 million (30 June 2012: \$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 \$nil (30 June 2012: \$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 2012	30 June 2012
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

13 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 2012, segregated clients' accounts not otherwise dealt with in these unaudited condensed consolidated financial statements amounted to \$442,106,879 (30 June 2012: \$380,850,382).

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

14 Accruals, accounts and other payables

	31 December 2012	30 June 2012
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
	\$ 59,678,366	\$ 89,110,037
Other creditors, accruals and other provision	18,716,929	22,880,585
	\$ 78,395,295	\$ 111,990,622

15 Bank loan

	31 December 2012	30 June 2012
Secured bank loan	\$ 103,000,000	\$ 103,000,000
The bank loan is repayable as follows:		
Within one year	\$ 10,300,000	\$ –
More than one year, but not exceeding two years	20,600,000	20,600,000
More than two years, but not exceeding five years	72,100,000	82,400,000
	103,000,000	103,000,000
Less: Amounts shown under current liabilities	(10,300,000)	–
	\$ 92,700,000	\$ 103,000,000

Note:

The bank loan is secured by the Group's land and building held for own use located in Hong Kong. The amount due is based on the scheduled repayment dates stated in the loan agreement with interest payment at 2.3% above HIBOR.

Some of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the facilities drawn would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2012, none of the covenants relating to the facilities drawn had been breached.

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

16 Contingent liabilities

	Company	
	31 December 2012	30 June 2012
Guarantees for banking facilities to subsidiaries	\$ 387,200,000	\$ 387,200,000
Other guarantees to a subsidiary	3,000,000	13,000,000
Total	\$ 390,200,000	\$ 400,200,000

17 Commitments**(A) CAPITAL COMMITMENTS**

	31 December 2012	30 June 2012
Contracted but not provided for – equipment	\$ 854,998	\$ 1,400,665

(B) COMMITMENTS UNDER OPERATING LEASES AS LESSEE

As at 31 December 2012 and 30 June 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and office equipment which fall due as follows:

	31 December 2012		30 June 2012	
	Rental premises	Hired equipment	Rental premises	Hired equipment
Within one year	\$ 2,580,000	\$ 376,800	\$ 2,580,000	\$ –
Later than 1 year and not later than 5 years	6,020,000	1,318,800	7,095,000	–
	\$ 8,600,000	\$ 1,695,600	\$ 9,675,000	\$ –

Leases are negotiated and rental are fixed for lease terms of 2 to 5 years.

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

18 Related party and connected 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	
		2012	2011
Brokerage commission earned on securities, options, futures and commodities dealing	(a)		
– fellow subsidiaries		\$ 2,302	\$ 1,661
– non-controlling interest of a non-wholly owned subsidiary		–	1,352,478
– Group's directors and their close family members		125,645	196,054
Common office expenses recharged			
– a fellow subsidiary	(b)	685,500	415,740
Consultancy and management fees received			
– a fellow subsidiary	(c)	270,000	270,000
Secretarial fee earned	(d)		
– an associate		–	12,000
– a company controlled by a Group's director		6,630	6,630

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.

19 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 limit.

Notes to Condensed Consolidated Financial Statements*(Expressed in Hong Kong dollars)***19 Financial instruments (Continued)****(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. 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.

(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 and deposits at banks. 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, mortgage bank loan 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.

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.

Management Discussion and Analysis

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.

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.

Management Discussion and Analysis

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.

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.

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 2012, 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%
Dr Jonathan Koon Shum Choi	Personal	32,200,000	0.87%
Ms Mary Yuk Sin Lam	Personal	7,500,000	0.20%
Mr Michael Koon Ming Choi	Personal	9,494,000	0.26%
Mr Stanley Kam Chuen Ko	Personal	1,200,000	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	118,937	–	–	118,937	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 are 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.

The remaining 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 adopted 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 2012 are as follows:

Name of director	Exercise Period	Date of options granted	Exercise price per share	At 1 July 2012	Issued during the period	At 31 December 2012
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 beneficially control a total of 2,475,381,327 shares.

** After the exercise of the options, Mr Michael Koon Ming Choi is deemed to beneficially control a total of 39,494,000 shares.

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

(V) INTEREST IN SHARE 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 the options under the scheme as at 31 December 2012 are as follows:

Name of director	Exercise Period	Date of options granted	Exercise price per share	At 1 July 2012	Issued during the period	At 31 December 2012
Dr Jonathan Koon Shum Choi*	15/12/2010 to 15/12/2015	15/12/2010	C\$0.55	2,166,650	–	2,166,650
Mr Michael Koon Ming Choi**	15/12/2010 to 15/12/2015	15/12/2010	C\$0.55	2,166,650	–	2,166,650

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

** After the exercise of the options, Mr Michael Koon Ming Choi is deemed to beneficially control a total of 2,285,587 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 Shum Choi is deemed to beneficially 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 beneficially 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 to beneficially control a total of 2,846,210 shares. After the exercise of the share options and the conversion of the debentures, Mr Michael Koon Ming Choi is deemed to beneficially control a total of 5,012,860 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 the 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 for 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 Issuers (the "Model Code").

Save as disclosed above, as at 31 December 2012, 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 any of 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 2012, 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.

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 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.

Purchase, sale or redemption of shares

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.

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 Directors' Information

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

Dr Johnathan Koon Shum Choi, Chairman:

The director's fee of Dr Johnathan Koon Shum Choi was reduced to HK\$350,000 per quarter during this period.

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

The base salary and other allowance of Mr Michael Koon Ming Choi was reduced to HK\$170,000 per month during this period.

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

The base salary and other allowance of Ms Mary Yuk Sin Lam was reduced to HK\$120,000 per month during this period.

Ms Elizabeth Law, Independent Non-Executive Director:

During this period, Ms Elizabeth Law was appointed as an Independent Non-Executive Director of China Vanke Co., Ltd., which is listed on the Shenzhen Stock Exchange.

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 2012. 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, 8 February 2013

Independent Review Report

Deloitte.

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To the Board of Directors of Sunwah Kingsway Capital Holdings Limited

Introduction

We have reviewed the condensed consolidated financial statements of Sunwah Kingsway Capital Holdings Limited (the "Company") and its subsidiary set out on pages 2 to 18, which comprises the condensed consolidated statement of financial position as of 31 December 2012 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

8 February 2013

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 Advisory Limited
Room 801, Building A, Beijing Fortune Plaza,
No. 7 Dongsanhuan Zhong Road, Chaoyang District,
Beijing, 100020, PRC
- Shanghai Kingsway Financial Consultancy Limited
Room 25B, Catic Building, 212 Jiangning Road,
Jingan, 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

7th Floor, Tower One, Lippo Centre,
89 Queensway, Hong Kong
Tel : (852) 2877 1830 Fax : (852) 2869 8867
Email: pr@sunwahkingsway.com

www.sunwahkingsway.com