

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

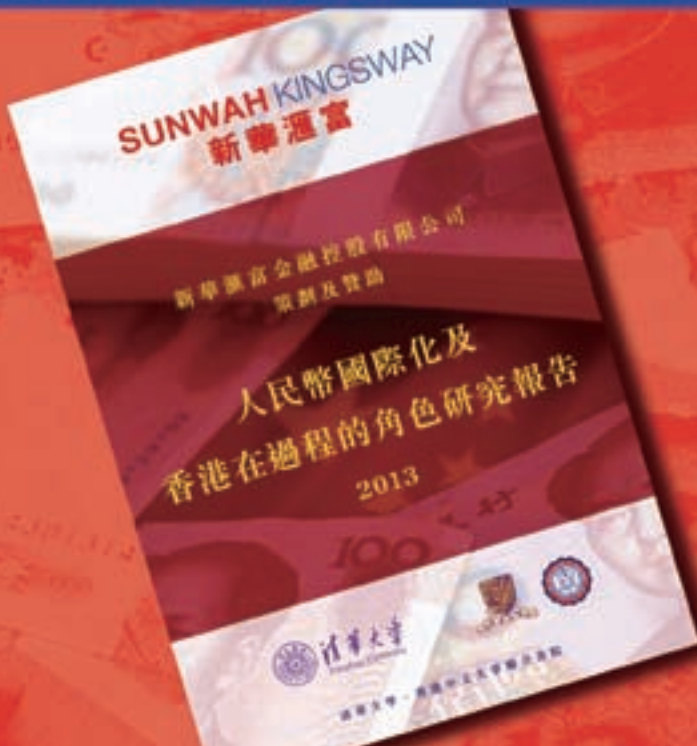
Stock Code: 00188



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Interim Report

2013/14

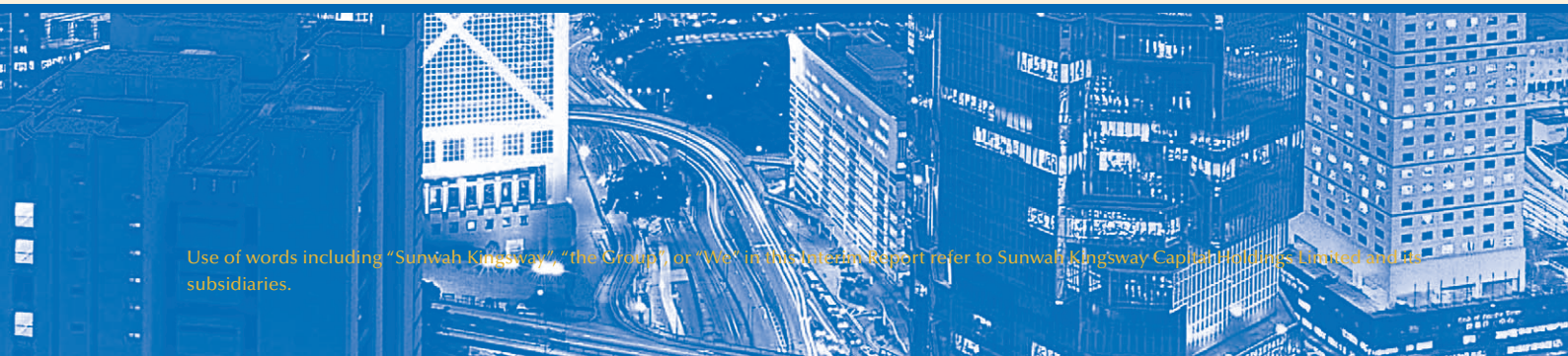


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Sunwah Kingsway is committed to the core values of integrity, teamwork, respect, responsibility and the pursuit of excellence.

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.



Use of words including "Sunwah Kingsway", "the Group" or "We" in this financial report refer to Sunwah Kingsway Capital Holdings Limited and its subsidiaries.

GENERAL INFORMATION

CHAIRMAN

Jonathan Koon Shum Choi

EXECUTIVE DIRECTORS

Michael Koon Ming Choi (*Chief Executive Officer*)

Mary Yuk Sin Lam (*Deputy Chairman*) (*deceased on 24 January 2014*)

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 ADVISORS TO THE COMPANY

As to Hong Kong Law:

MinterEllison

Level 25, One Pacific Place,
88 Queensway, 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

MUFG Fund Services (Bermuda) Limited

26 Burnaby Street,
Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

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

183 Queen's Road East, 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

Robert Tsai To Sze

Elizabeth Law

Mary Yuk Sin Lam (*deceased on 24 January 2014*)

COMPENSATION COMMITTEE

Stanley Kam Chuen Ko (*Chairman*)

Jonathan Koon Shum Choi

Robert Tsai To Sze

Elizabeth Law

Mary Yuk Sin Lam (*deceased on 24 January 2014*)

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 2013 – unaudited (Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2013	2012
Turnover			
Commission and fee income		\$ 41,512,953	\$ 33,946,691
Interest and dividend income		5,531,579	5,773,431
		\$ 47,044,532	\$ 39,720,122
Net gain on disposal of financial assets/liabilities at fair value			
through profit or loss and remeasurement to fair value		34,847,035	36,452,044
Net gain on disposal of available-for-sale investments		–	10,111,808
Other income		1,805,110	1,812,076
	3	\$ 83,696,677	\$ 88,096,050
Operating expenses			
Commission expenses		(3,288,675)	(6,656,487)
General and administrative expenses		(53,273,883)	(53,197,903)
Finance costs		(1,659,659)	(1,404,316)
		\$ 25,474,460	\$ 26,837,344
Share of profits of associates	3	799,276	65,892
Profit before tax	4	\$ 26,273,736	\$ 26,903,236
Income tax credit	5	–	230,797
Profit attributable to owners of the Company for the period		\$ 26,273,736	\$ 27,134,033
Basic earnings per share	7	0.7 cent	0.7 cent
Diluted earnings per share	7	0.7 cent	0.7 cent

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2013 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2013	2012
Profit for the period	\$ 26,273,736	\$ 27,134,033
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)	\$ 5,608,017	\$ 18,779,966
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of overseas subsidiaries	\$ (604,230)	\$ (816,962)
Fair value changes on available-for-sale investments	2,611,252	4,040,287
Reclassification upon disposal of available-for-sale investments	–	(1,327,449)
	\$ 2,007,002	\$ 1,895,876
Other comprehensive income for the period	\$ 7,615,039	\$ 20,675,842
Total comprehensive income attributable to owners of the Company for the period	\$ 33,888,775	\$ 47,809,875

Condensed Consolidated Statement of Financial Position

At 31 December 2013 – unaudited (Expressed in Hong Kong dollars)

	Notes	31 December 2013	30 June 2013
Non-current assets			
Properties and equipment		\$ 319,301,800	\$ 318,833,334
Intangible assets		2,331,141	2,331,141
Interests in associates		16,706,160	15,906,884
Available-for-sale investments	8	31,604,542	28,993,290
Other receivable	9	32,820,000	32,820,000
Other financial assets		9,611,654	9,259,465
Loan to an associate	10	–	1,181,870
		\$ 412,375,297	\$ 409,325,984
Current assets			
Loan to an associate	10	\$ 1,277,760	\$ –
Financial assets at fair value through profit or loss	11	168,792,577	139,019,265
Accounts, loans and other receivables	12	216,796,064	189,052,080
Cash and cash equivalents	13	67,897,738	70,942,797
		\$ 454,764,139	\$ 399,014,142
Current liabilities			
Financial liabilities at fair value through profit or loss		\$ 1,423,895	\$ –
Accruals, accounts and other payables	14	125,457,482	65,736,496
Bank loans – current portion	15	41,380,000	71,600,000
Bank overdrafts	13	14,608,002	–
Current taxation		1,450,324	1,450,324
		\$ 184,319,703	\$ 138,786,820
Net current assets		\$ 270,444,436	\$ 260,227,322
Total assets less current liabilities		\$ 682,819,733	\$ 669,553,306
Non-current liabilities			
Bank loan – non-current portion	15	\$ 72,100,000	\$ 82,400,000
Deferred tax liabilities		14,013,899	13,293,115
		\$ 86,113,899	\$ 95,693,115
NET ASSETS		\$ 596,705,834	\$ 573,860,191
CAPITAL AND RESERVES			
Share capital		\$ 368,104,391	\$ 368,104,391
Reserves		228,601,443	205,755,800
TOTAL EQUITY		\$ 596,705,834	\$ 573,860,191

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2013 – 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	Exchange reserve	Properties revaluation reserve	Investments revaluation reserve	Accumulated losses	Total
At 1 July 2013	\$368,104,391	\$ 94,273,918	\$ 39,800,000	\$ 63,391,540	\$ 11,550,000	\$ (5,895,670)	\$ 70,000,234	\$ 5,957,317	\$ (73,321,539)	\$ 573,660,191
Profit for the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,273,736	\$ 26,273,736
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	(604,230)	-	-	-	(604,230)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	5,608,017	-	-	5,608,017
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	2,611,252	-	2,611,252
Total comprehensive income/(expenses) for the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (604,230)	\$ 5,608,017	\$ 2,611,252	\$ 26,273,736	\$ 33,888,775
2013 final dividend paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11,043,132)	\$ (11,043,132)
At 31 December 2013	\$368,104,391	\$ 94,273,918	\$ 39,800,000	\$ 63,391,540	\$ 11,550,000	\$ (6,499,900)	\$ 75,608,251	\$ 8,568,569	\$ (58,090,935)	\$ 596,705,834
At 1 July 2012	\$368,104,391	\$ 94,273,918	\$ 39,800,000	\$ 63,391,540	\$ 10,192,000	\$ (4,487,425)	\$ 70,202,422	\$ -	\$ (54,428,068)	\$ 537,048,778
Profit for the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,134,033	\$ 27,134,033
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	(816,962)	-	-	-	(816,962)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	18,779,966	-	-	18,779,966
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	4,040,287	-	4,040,287
Reclassification upon disposal of available-for-sale investments	-	-	-	-	-	-	-	(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
2012 final dividend paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,202,610)	\$ (9,202,610)
Recognition of equity-settled share-based payments	-	-	-	-	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	\$ 2,712,838	\$ (56,496,645)	\$ 577,014,043

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2013 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2013	2012
Operating activities		
Operating profit before changes in working capital	\$ 26,671,689	\$ 17,754,809
Increase in financial assets at fair value through profit or loss	(29,773,312)	(39,940,635)
(Increase)/decrease in accounts, loans and other receivables	(27,635,874)	13,440,976
Increase/(decrease) in accruals, accounts and other payables	59,777,012	(29,926,083)
Other operating cash flows	1,071,706	2,277,755
Cash generated from/(used in) operations	\$ 30,111,221	\$ (36,393,178)
Interest received	3,975,797	5,115,238
Dividend received	1,547,672	1,268,196
Interest paid	(1,715,685)	(1,403,044)
Hong Kong Profits Tax paid	–	(128,686)
Net cash generated from/(used in) operating activities	\$ 33,919,005	\$ (31,541,474)
Investing activities		
Proceeds on disposal of available-for-sale investments	\$ –	\$ 18,047,779
Return of investment cost of available-for-sale investment	–	7,816,800
Proceeds on disposal of equipment	53,374	–
Payment for purchase of properties and equipment	(62,308)	(4,482,167)
Net cash (used in)/generated from investing activities	\$ (8,934)	\$ 21,382,412
Financing activities		
Dividends paid to owners of the Company	\$ (11,043,132)	\$ (9,202,610)
Proceeds from bank loans	566,280,000	–
Repayment of bank loans	(606,800,000)	–
Net cash used in financing activities	\$ (51,563,132)	\$ (9,202,610)
Net decrease in cash and cash equivalents	\$ (17,653,061)	\$ (19,361,672)
Cash and cash equivalents at 1 July 2013/2012	70,942,797	130,106,906
Cash and cash equivalents at 31 December 2013/2012	\$ 53,289,736	\$ 110,745,234
Represented by:		
Bank balances and cash	\$ 67,897,738	\$ 110,745,234
Bank overdrafts	(14,608,002)	–
	\$ 53,289,736	\$ 110,745,234

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.

Except as described below, the accounting policies 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 2013.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the current interim period.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 20.

The application of the other new and revised HKFRSs in the current interim period has had no material effect on the amounts reported and disclosures set out in these condensed consolidated financial statements.

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 2013							Consolidated
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others		
Revenue from external customers	\$ 2,515,867	\$ -	\$ 24,806,144	\$ 19,289,323	\$ 129,442	\$ 303,756	\$ 47,044,532	
Inter-segment revenue	38	-	478,806	-	-	9,716,529	10,195,373	
Segment revenue	\$ 2,515,905	\$ -	\$ 25,284,950	\$ 19,289,323	\$ 129,442	\$ 10,020,285	\$ 57,239,905	
Net gain/(loss) on disposal of financial assets/ liabilities at fair value through profit or loss and remeasurement to fair value	34,877,129	-	(30,094)	-	-	-	34,847,035	
Other income	38,489	-	374,752	-	-	1,391,869	1,805,110	
Eliminations	(38)	-	(478,806)	-	-	(9,716,529)	(10,195,373)	
Total income	\$ 37,431,485	\$ -	\$ 25,150,802	\$ 19,289,323	\$ 129,442	\$ 1,695,625	\$ 83,696,677	
Segment results	\$ 34,084,399	\$ (775,755)	\$ (6,286,369)	\$ 3,438,155	\$ (699,815)	\$ (4,286,155)	\$ 25,474,460	
Share of profits of associates	\$ -	\$ 746,903	\$ 52,373	\$ -	\$ -	\$ -	799,276	
Profit before tax							\$ 26,273,736	

	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	

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 2013	30 June 2013
Investment in securities	\$ 163,980,490	\$ 151,923,613
Structured investment	43,673,846	31,973,251
Brokerage	311,403,581	269,842,367
Corporate finance and capital markets	10,557,181	11,235,101
Asset management	8,003,203	7,897,379
Others	329,521,135	335,468,415
Total segment assets	\$ 867,139,436	\$ 808,340,126

4 Profit before tax

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

	Six months ended 31 December	
	2013	2012
Net gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value		
– equity securities	\$ 32,864,019	\$ 32,942,639
– debt securities	745,890	3,267,176
– derivatives and others	1,237,126	242,229
Dividends from listed equity securities	888,817	687,895
Interest income from		
– bank deposits	115,259	1,060,903
– margin and IPO financing	1,915,363	1,958,390
– debt securities	1,607,035	1,746,645
– loans	991,507	284,022
– others	13,598	35,576
Staff costs	(33,074,348)	(31,876,355)
Operating lease charges – land and buildings	(1,395,477)	(1,242,500)
Depreciation	(5,558,329)	(4,907,137)
Interest expenses on		
– bank loans and overdrafts	(244,814)	(4,926)
– bank mortgage loan wholly repayable within five years	(1,325,643)	(1,396,672)
– others	(89,202)	(2,718)
Reversal of impairment loss/(impairment losses)		
for accounts receivable	100,000	(600,088)
Exchange gain (net)	892,518	1,101,749

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	
	2013	2012
Current tax credit		
– Over provision in prior year	\$ –	\$ 91,968
Deferred tax credit		
– Tax for the period	–	138,829
Income tax credit	\$ –	\$ 230,797

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 \$33 million (2012: \$46 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 \$385 million (30 June 2013: \$415 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	
	2013	2012
Final dividend in respect of the previous financial year, declared and paid of 0.3 cent per share (2012: 0.25 cent per share)	\$ 11,043,132	\$ 9,202,610

Subsequent to the end of the interim reporting period, at a meeting held on 12 February 2014, the directors declared an interim dividend of 0.2 cent per share (31 December 2012: 0.2 cent per share) with an aggregate amount of \$7,362,088 (31 December 2012: \$7,362,088) based on the number of shares in issue at 12 February 2014.

7 Earnings per share

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

	Six months ended 31 December	
	2013	2012
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit attributable to owners of the Company for the period)	\$ 26,273,736	\$ 27,134,033
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings per share	3,681,043,906	3,681,043,906

Note:

The computation of diluted earnings per share for the six months ended 31 December 2013 and 2012 does not assume the exercise of the Company's share options because the exercise prices of those share options were higher than the average market price for the shares during the periods.

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

8 Available-for-sale investments

	<i>Notes</i>	31 December 2013	30 June 2013
Unlisted investments:			
– Investment funds at fair value	<i>(a)</i>	\$ 23,609,153	\$ 20,997,901
– Partnership shares at cost	<i>(b)</i>	7,995,389	7,995,389
		\$ 31,604,542	\$ 28,993,290

Notes:

- (a) 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.
- (b) 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 years. 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.

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. In August 2013, it was reported that the partner pleaded guilty to fraud and money laundering and was sentenced to jail for 12 years.

The law firm has not returned the Escrow Funds despite a demand for payment by the Group. The Group has commenced legal proceedings 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 2013, the Group granted to an associate a pro-rata shareholders’ loan of British Pound 100,000, which was equivalent to \$1,277,760 (30 June 2013: British Pound 100,000, which was equivalent to \$1,181,870). The loan is unsecured, interest-bearing at 2% per annum and is repayable within one year (30 June 2013: repayable within two years).

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

11 Financial assets at fair value through profit or loss

	Note	31 December 2013	30 June 2013
Held for trading investments include:			
Listed equity securities, at quoted bid price			
– in Hong Kong		\$ 122,555,950	\$ 113,832,408
– outside Hong Kong		1,268,125	1,656,353
Listed debt securities, at quoted bid price			
– in Hong Kong		12,886,458	7,958,777
– outside Hong Kong		22,082,544	15,571,727
Unlisted convertible notes (designated), at fair value			
– in Hong Kong	(a)	9,999,500	–
		\$ 168,792,577	\$ 139,019,265

Note:

- (a) During the six months ended 31 December 2013, the Group purchased convertible notes from a third party (a listed company in Hong Kong) with consideration of \$9,999,500. The convertible notes provide the right to the Group to convert 28,570,000 shares of this listed company at a conversion price of \$0.35 per share during the conversion period from 12 February 2014 to 12 November 2014. No convertible notes were converted during the period.

12 Accounts, loans and other receivables

	Notes	31 December 2013	30 June 2013
Accounts and loans receivables			
Amounts due from brokers and clearing houses	(a)	\$ 101,482,780	\$ 39,136,528
Amounts due from margin clients	(b)	65,760,644	67,977,592
Amounts due from cash clients	(c)	26,517,266	51,273,828
Fixed-rate loan receivable	(d)	18,000,000	23,000,000
Other accounts receivable	(e)	4,884,255	7,068,759
		\$ 216,644,945	\$ 188,456,707
Less: Impairment losses		(4,536,359)	(4,636,359)
		\$ 212,108,586	\$ 183,820,348
Prepayments, deposits and other receivables		4,687,478	5,231,732
		\$ 216,796,064	\$ 189,052,080

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 2013, the Group held \$6,523,337 (30 June 2013: \$5,002,050) with SEOCH and \$14,554,675 (30 June 2013: \$8,274,237) 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 \$11,060,465 was pledged as securities for the stock borrowing transactions (30 June 2013: \$13,370,119).

- (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 2013, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately \$430 million (30 June 2013: \$1,125 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 fixed-rate loans receivable secured by personal/corporate guarantee and/or by marketable securities listed on the AIM Board of The London Stock Exchange. 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 2013: \$60,000) 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 2013	30 June 2013
Current and within one month	\$ 208,369,845	\$ 180,130,883
More than one month and within three months	1,620,000	1,547,123
More than three months	2,118,741	2,142,342
	\$ 212,108,586	\$ 183,820,348

13 Cash and cash equivalents**Bank balances**

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 2013, segregated clients' accounts not otherwise dealt with in these unaudited condensed consolidated financial statements amounted to \$454,687,060 (30 June 2013: \$865,534,572).

Bank overdrafts

Bank overdrafts carry interest at market rates which range from 2.25% above HIBOR to 5.25% (30 June 2013: Nil). Bank overdraft of \$2,104,302 was secured by listed equity securities with fair value of \$3,404,400.

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

14 Accruals, accounts and other payables

	31 December 2013	30 June 2013
Accounts payable (current and within one month)		
Amounts due to brokers and clearing houses	\$ 1,617,127	\$ 23,334,919
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	103,796,331	23,933,957
Others	951,872	2,728,383
	\$ 106,365,330	\$ 49,997,259
Other creditors, accruals and other provision	19,092,152	15,739,237
	\$ 125,457,482	\$ 65,736,496

15 Bank loans

	<i>Notes</i>	31 December 2013	30 June 2013
Secured bank loans	<i>(a)</i>	\$ 93,480,000	\$ 103,000,000
Unsecured bank loans	<i>(b)</i>	20,000,000	51,000,000
		\$ 113,480,000	\$ 154,000,000
The bank loan is repayable as follows:			
Within one year		\$ 41,380,000	\$ 71,600,000
More than one year, but not exceeding two years		72,100,000	82,400,000
		\$ 113,480,000	\$ 154,000,000
Less: Amounts shown under current liabilities		(41,380,000)	(71,600,000)
		\$ 72,100,000	\$ 82,400,000

Note:

(a) The bank loan of \$92,700,000 is secured by the Group's land and building held for own use located in Hong Kong with carrying amount of approximately \$267 million. The amount due is based on the scheduled repayment dates stated in the loan agreement with interest bearing at 2.3% above HIBOR. The bank loan of \$780,000 was secured by the listed debt securities with fair value of \$19,647,830, bear interest at 2.265% and was fully repaid in January 2014.

(b) The bank loans were unsecured, bear interest at 2.05%-2.2111% per annum and were fully repaid in January 2014.

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 2013, 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 2013	30 June 2013
Guarantees for banking facilities to subsidiaries	\$ 397,200,000	\$ 367,200,000
Other guarantees to a subsidiary	3,000,000	3,000,000
Total	\$ 400,200,000	\$ 370,200,000

17 Commitments

(A) CAPITAL COMMITMENTS

	31 December 2013	30 June 2013
Contracted but not provided for – equipment	\$ 775,000	\$ 837,308

(B) COMMITMENTS UNDER OPERATING LEASES AS LESSEE

As at 31 December 2013 and 30 June 2013, 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 2013		30 June 2013	
	Rental premises	Hired equipment	Rental premises	Hired equipment
Within one year	\$ 2,365,000	\$ 376,800	\$ 2,365,000	\$ 376,800
Later than 1 year and not later than 5 years	3,440,000	942,000	4,730,000	1,130,400
	\$ 5,805,000	\$ 1,318,800	\$ 7,095,000	\$ 1,507,200

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	
		2013	2012
Brokerage commission earned on securities, options, futures and commodities dealing	(a)		
– fellow subsidiaries		\$ 5,472	\$ 2,302
– Group's directors and their close family members		181,416	125,645
Common office expenses recharged	(b)		
– a fellow subsidiary		685,500	685,500
Consultancy and management fees received	(c)		
– a fellow subsidiary		270,000	270,000
Secretarial fee earned	(d)		
– a company controlled by a Group's director		7,410	6,630
Interest income from IPO financing	(e)		
– Group's directors and their close family members		498	–

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 services fee is primarily based on the percentage of floor area occupied by each company.
- (c) The fees mainly comprised a fixed monthly charge as agreed between the parties involved.
- (d) The fee was charged at rates similar to those normally charged to third party clients.
- (e) Interest rate are set at the same level as those normally offered 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 preset 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, bank loans and other lending activities undertaken. The short-term bank loans are mainly utilised for re-financing customers' borrowings which the Group has the legal capacity to quickly recall the margin loans or re-price the loans to an appropriate level. Interest rates paid by the Group are managed by the Finance Department with the aim of maximising the spread of interest consistent with liquidity and funding obligations.

Notes to Condensed Consolidated Financial Statements*(Expressed in Hong Kong dollars)***20 Fair value measurements of financial instruments**

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2013	30 June 2013		
<u>Financial assets</u>				
Listed equity securities	\$123,824,075	\$115,488,761	Level 1	Quoted price in an active market
Listed debt securities	\$34,969,002	\$23,530,504	Level 1	Quoted price in an active market
Unlisted convertible notes	\$9,999,500	\$ –	Level 2	Recent transaction price observable in market
Unlisted investment funds	\$23,609,153	\$20,997,901	Level 2	Dealing price of the fund derived from the net asset value of the fund, where the underlying investments are listed securities with quoted price in an active market
<u>Financial liabilities</u>				
Listed derivatives	\$1,423,895	\$ –	Level 1	Quoted price in an active market

There were no transfers between Level 1 and 2 in the current and prior period.

Fair value measurement and valuation process

The management is responsible in determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the financial instruments, the Group uses market-observable data to the extent it is available.

Management Discussion and Analysis

The Market

The Hong Kong market continued to be caught between the different directions of the two largest economies in the world, the US and the PRC. The US, with the support of improving statistics on the economy, is planning to reduce the quantitative easing. The US stock market is trading at or near all time high as a response to the positive news on the economy. PRC, on the other hand, is trying to introduce structural reforms to reduce reliance on fixed assets investment and exports as the key elements of the GDP growth. The PRC stock market is one of the worst performing markets in 2013 amongst the major stock markets. The surge in IPO and market activities towards the end of 2013 contributed to the better performance over the same period last year.

The Hang Seng Index closed at 23,306 at the end of December 2013, compared with 22,803 at the end of June 2013 and 22,657 at the end of December 2012. The average monthly turnover on the Main Board and GEM Board during the six months ended 31 December 2013 ("the first half year of FY2014") was approximately HK\$1,190 billion, as compared to HK\$1,062 billion for the first half year of FY2013. Funds raised from IPOs on the Main Board in the first half year of FY2014 increased by 115% to HK\$127 billion, as compared to HK\$59 billion for the first half year of FY2013.

Financial Highlights

The Group recorded a profit of HK\$26 million for the first half year of FY2014, as compared to HK\$27 million for the first half year of FY2013. Commission and fee income from our financial intermediary business increased from HK\$33.9 million to HK\$41.5 million for the first half year of FY2014 mainly due to the completion of several underwriting and placing transactions and the increase in market activity in this period. The Group recorded a net gain on the disposal of financial assets/liabilities and the remeasurement to fair value of HK\$34.8 million, as compared to HK\$36.5 million for the first half of FY2014.

General and administrative expenses amounted to HK\$53.3 million for the first half year of FY2014, same as the first half year of FY2013. The staff costs increased by HK\$1.2 million, which was in line with the higher commission and fee income. The depreciation charged on the self-owned property increased by HK\$0.7 million to HK\$5.6 million for the first half year of FY2014 as a result of higher valuation, compared with last year, which was reflected in the reserve movement.

As explained in the notes to the condensed 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\$25.3 million for the first half year of FY2014, compared to HK\$23.3 million for the first half year of FY2013. The market sentiment improved after the gradual recovery of the global economy. The average daily turnover increased by 11% in the first half year of FY2014 when compared with the first half year of FY2013. The net brokerage commission income increased by 23% compared with the first half year of FY2013. The Group continued to streamline its operation and overhead expenses were reduced despite of an increase in revenue.

Corporate Finance and Capital Markets

Total revenue of the division was HK\$19.3 million for the first half year of FY2014, compared with HK\$13.5 million for the first half year of FY2013. The Hong Kong financing market was buoyant in the fourth quarter of 2013. There were 48 new listings in the Hong Kong Stock Exchange and the funds raised from IPOs reached HK\$107 billion in the fourth quarter of 2013. The division sponsored the listing of Yi Hua Department Store Holdings Ltd, Jia Meng Holdings Limited and New Ray Medicine International Holdings Limited in the first half year of FY2014. The division also completed several underwriting and placing transactions in this period. As a result, the division recorded a net profit of HK\$3.4 million for the first half year of FY2014, compared with a net loss of HK\$1.7 million for the first half year of FY2013.

Management Discussion and Analysis

Asset Management

Total revenue of the division was HK\$0.1 million for the first half year of FY2014, compared with 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. The division has been advising a boutique fund for nearly two years with good track record achieved. The division will work with the boutique fund to expand the asset under management to generate more revenue.

Investment in Securities

Total revenue of the division was HK\$2.5 million for the first half year of FY2014, same as the first half year of FY2013. 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\$37.4 million for the first half year of FY2014, compared with HK\$39 million for the first half year of FY2013. The performance of the investment portfolio improved following the recovery in the HK stock market, as evidenced by the rise in Hang Seng Index. We also enjoyed the above average performance of certain stocks in our portfolio.

Structured Investment

The division did not recognise any revenue in the first half year of FY2014 and FY2013. The increase in fair value of an investment fund of HK\$2.6 million was recognised in Other Comprehensive Income in the first half year of FY2014, compared with HK\$4 million for the first half year of FY2013. The division is now looking for suitable investment opportunities to diversify the portfolio.

Outlook

The US officially begins the tapering of the bond purchase program in 2014. The expected decrease in liquidity brings turbulence in financial markets in a number of developing countries. The Group will continue its cautious approach in managing its business amid these uncertainties.

Changes in Board Composition

In January 2014, the Company sadly announced that the Deputy Chairman and Executive Director of the Company, Ms Mary Yuk Sin Lam, passed away. The Board would like to express our sincere thanks to Ms Lam for laying a solid foundation for Sunwah Kingsway over the years.

Liquidity and Financial Resources

Total assets as at the end of December 2013 were HK\$867 million, of which approximately 52% were current in nature. Net current assets were HK\$270 million, accounting for approximately 45% of the net assets of the Group as at the end of December 2013.

The Group generally finances its daily operations from internal resources. Total borrowing of approximately HK\$128.1 million at the end of December 2013 comprised of the following:

- Secured bank loan of HK\$92.7 million to partially finance the acquisition of office property;
- Secured and unsecured short-term bank loans of HK\$20.8 million and secured and unsecured bank overdraft of HK\$14.6 million to finance proprietary trading activities and margin financing business.

The Group's gearing ratio, calculated as a percentage of total borrowings over shareholder's equity, was approximately 21% at the end of December 2013. The office property with carrying value of HK\$266.5 million and financial assets at fair value through profit or loss with fair value of HK\$23.1 million were pledged as securities against bank loans and overdraft granted to the Group.

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 2013, the number of full time employees of the Group was 116 (30 June 2013: 128). 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 2013.

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 2013 (six months ended 31 December 2012: 0.2 HK cent). The dividend will be payable on or about Thursday, 10 April 2014 to shareholders whose names appear on the Register of Members at the close of business on Thursday, 27 March 2014.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 24 March 2014 to Thursday, 27 March 2014, 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, 21 March 2014.

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 2013, 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	2,391,447,327	64.97%
Dr Jonathan Koon Shum Choi	Personal	73,574,000	2.00%
Mr Michael Koon Ming Choi	Personal	9,494,000	0.26%
Mr Stanley Kam Chuen Ko	Personal	1,200,000	0.03%
Ms Mary Yuk Sin Lam (deceased)	Personal	7,500,000	0.20%

* Dr Jonathan Koon Shum Choi is deemed to be interested in 2,391,447,327 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	Total number of common shares*	% of total issued shares*
Dr Jonathan Koon Shum Choi**	10,653,096	51,044,214 (Note)	61,697,310	66.8%
Mr Michael Koon Ming Choi	118,937	–	118,937	0.1%
Mr Stanley Kam Chuen Ko	20,400	–	20,400	<0.1%
Ms Mary Yuk Sin Lam (deceased)	3,301,098	–	3,301,098	3.57%

* 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:

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.

(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 (deceased)	Personal	28,518	2.2%
Ms Mary Yuk Sin Lam (deceased)	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 2013 are as follows:

Name of director	Exercise Period	Date of options granted	Exercise price per share	At 1 July 2013	Issued during the period	At 31 December 2013
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*** (deceased)	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 2,495,021,327 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.

The options lapsed in January 2014.

(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 2013 are as follows:

Name of director	Exercise Period	Date of options granted	Exercise price per share	At 1 July 2013	Issued during the period	At 31 December 2013
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	9,375,000	(a)
Mr Michael Koon Ming Choi**	Corporate	C\$1,500,000	3,125,000	(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 71,072,310 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 73,238,960 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 3,243,937 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 5,410,587 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. In September 2013, SIL entered into an agreement with the Debenture Holders to amend the terms and conditions of the debentures. The interest rate was increased to 8% per annum from 1% per annum and the maturity date was extended by one year to 19 September 2014. The conversion price was reduced from C\$0.55 per share to C\$0.48 per share. The redemption price was also reduced from C\$0.55 per share to C\$0.48 per share if the 20-day volume weighted average price of the shares listed on the TSX exceeds C\$0.96 per share (reduced from C\$1.10 per share). In addition, an arrangement fee equal to 1% of the aggregate principal amount on the Debentures will be payable on the maturity date, or such earlier date in the event of any full conversion or full redemption of the Debentures. As a result, there was 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 8,181,818 shares to 9,375,000 shares and from 2,727,273 shares to 3,125,000 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 2013, 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 2013, 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	2,391,447,327	–	64.97%	(a)
(2)	Innovation Assets Limited	British Virgin Islands	–	2,391,447,327	64.97%	(a)
(3)	SIL	Bermuda	–	2,391,447,327	64.97%	(a)
(4)	Sun Wah Capital Limited	British Virgin Islands	–	2,391,447,327	64.97%	(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 2,391,447,327 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 2,391,447,327 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 2013 except for a deviation which is summarised below:

CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. 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.

Purchase, sale or redemption of shares

During the six months ended 31 December 2013, 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:

Mr Robert Tsai To Sze:

During this period, Mr Sze resigned as an Independent Non-Executive Director of QPL International Holdings Limited.

Mr Stanley Kam Chuen Ko:

During this period, Mr Ko resigned as a director of Jardine Airport Services Limited.

Dr Lee G. Lam:

During this period, Dr Lee G. Lam has been appointed as a Non-Executive Director of Coal Bank Limited which is listed on Australian Securities 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 2013. 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, 12 February 2014

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 2013 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

12 February 2014

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 2038-2039, Catic Building, 212 Jiangning Road,
Jingan, Shanghai 200041, PRC
- Shenzhen Kingsway Financial Consultancy Limited
701, Tower A, Aerospace Skyscraper,
4019 Shennan Road, Futian District,
Shenzhen, 518048, PRC

ULTIMATE HOLDING COMPANY

Sunwah International Limited

A listed company on the Toronto Stock Exchange

SUNWAH KINGSWAY
新華滙富

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

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