

# 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



## A Year of Strategic and Decisive Moves



Interim Report  
2014/15

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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 DIRECTOR

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 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

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08, 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

### COMPENSATION COMMITTEE

Stanley Kam Chuen Ko (*Chairman*)

Jonathan Koon Shum Choi

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 2014 – unaudited (Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2014	2013
<b>Turnover</b>			
Commission and fee income		\$ 43,118,535	\$ 41,512,953
Interest and dividend income		7,018,119	5,531,579
		\$ 50,136,654	\$ 47,044,532
<b>Net (loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value</b>		(15,982,960)	34,847,035
<b>Other income</b>		940,180	1,805,110
	3	\$ 35,093,874	\$ 83,696,677
<b>Operating expenses</b>			
Commission expenses		(5,015,541)	(3,288,675)
General and administrative expenses		(54,072,893)	(53,273,883)
Finance costs		(1,075,663)	(1,659,659)
		\$ (25,070,223)	\$ 25,474,460
Share of (losses)/profits of associates	3	(132,024)	799,276
<b>(Loss)/profit before tax</b>	4	\$ (25,202,247)	\$ 26,273,736
Income tax credit	5	35,480	–
<b>(Loss)/profit for the period</b>		\$ (25,166,767)	\$ 26,273,736
<b>Attributable to:</b>			
Owners of the Company		\$ (25,229,049)	\$ 26,273,736
Non-controlling interests		64,401	–
Holders of non-controlling interests in consolidated investment fund		(2,119)	–
<b>(Loss)/profit for the period</b>		\$ (25,166,767)	\$ 26,273,736
<b>Basic (loss)/earnings per share</b>	7	(0.6) cent	0.7 cent
<b>Diluted (loss)/earnings per share</b>	7	(0.6) cent	0.7 cent

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2014 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2014	2013
<b>(Loss)/profit for the period</b>	<b>\$ (25,166,767)</b>	<b>\$ 26,273,736</b>
<b>Other comprehensive income/(expenses):</b>		
<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)	\$ 13,131,834	\$ 5,608,017
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of overseas subsidiaries	\$ (4,570)	\$ (604,230)
Fair value changes on available-for-sale investments	–	2,611,252
	\$ (4,570)	\$ 2,007,022
<b>Other comprehensive income for the period</b>	<b>\$ 13,127,264</b>	<b>\$ 7,615,039</b>
<b>Total comprehensive (expenses)/income for the period</b>	<b>\$ (12,039,503)</b>	<b>\$ 33,888,775</b>
<b>Total comprehensive (expenses)/income attributable to:</b>		
Owners of the Company	\$ (12,101,785)	\$ 33,888,775
Non-controlling interests	64,401	–
Holders of non-controlling interests in consolidated investment fund	(2,119)	–
<b>Total comprehensive (expenses)/income for the period</b>	<b>\$ (12,039,503)</b>	<b>\$ 33,888,775</b>

# Condensed Consolidated Statement of Financial Position

At 31 December 2014 – unaudited (Expressed in Hong Kong dollars)

	Notes	31 December 2014	30 June 2014
<b>Non-current assets</b>			
Properties and equipment		\$ 336,106,604	\$ 326,224,268
Intangible assets		2,051,141	2,051,141
Interests in associates		15,426,892	15,558,916
Available-for-sale investments	8	7,995,389	7,995,389
Other receivable	9	32,690,662	32,690,662
Other financial assets		10,023,794	7,650,148
		<b>\$ 404,294,482</b>	<b>\$ 392,170,524</b>
<b>Current assets</b>			
Loan to an associate	10	\$ 1,206,780	\$ 1,319,580
Financial assets at fair value through profit or loss	11	201,959,819	164,795,188
Accounts, loans and other receivables	12	472,286,873	153,246,368
Cash and cash equivalents	13	131,851,521	239,103,210
		<b>\$ 807,304,993</b>	<b>\$ 558,464,346</b>
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss	14	\$ 12,825,147	\$ 1,530,000
Net assets attributable to holders of non-controlling interests in consolidated investment fund	15	15,078,387	15,080,506
Accruals, accounts and other payables	16	384,570,922	100,983,968
Bank loan	17	72,100,000	82,400,000
Current taxation		1,450,324	1,450,324
		<b>\$ 486,024,780</b>	<b>\$ 201,444,798</b>
<b>Net current assets</b>		<b>\$ 321,280,213</b>	<b>\$ 357,019,548</b>
<b>Total assets less current liabilities</b>		<b>\$ 725,574,695</b>	<b>\$ 749,190,072</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		\$ 18,097,632	\$ 15,871,710
		<b>\$ 18,097,632</b>	<b>\$ 15,871,710</b>
<b>NET ASSETS</b>		<b>\$ 707,477,063</b>	<b>\$ 733,318,362</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		\$ 460,130,488	\$ 460,130,488
Reserves		246,989,882	272,895,582
<b>Equity attributable to owners of the Company</b>		<b>\$ 707,120,370</b>	<b>\$ 733,026,070</b>
<b>Non-controlling interests</b>		<b>356,693</b>	<b>292,292</b>
<b>TOTAL EQUITY</b>		<b>\$ 707,477,063</b>	<b>\$ 733,318,362</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2014 – 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	Non-controlling interest	Total
At 1 July 2014	\$460,130,488	\$135,312,564	\$39,800,000	\$63,391,540	\$-	\$(3,577,693)	\$86,275,660	\$-	\$(48,306,489)	\$733,026,070	\$292,292	\$733,318,362
(loss)/profit for the period	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$(25,229,049)	\$64,401	\$(25,164,648)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	(4,570)	-	-	-	(4,570)	-	(4,570)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	13,131,834	-	-	13,131,834	-	13,131,834
Total comprehensive (expenses)/income for the period	\$-	\$-	\$-	\$-	\$-	\$(4,570)	\$13,131,834	\$-	\$(25,229,049)	\$(12,101,785)	\$64,401	\$(12,037,384)
2014 final dividend paid	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$(13,803,915)	\$(13,803,915)	\$-	\$(13,803,915)
At 31 December 2014	\$460,130,488	\$135,312,564	\$39,800,000	\$63,391,540	\$-	\$(3,582,263)	\$99,407,494	\$-	\$(87,339,453)	\$707,120,370	\$356,693	\$707,477,063
At 1 July 2013	\$368,104,391	\$94,273,918	\$39,800,000	\$63,391,540	\$11,550,000	\$15,895,670	\$70,000,234	\$5,957,317	\$(73,321,539)	\$573,860,191	\$-	\$573,860,191
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)	-	(604,230)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	5,608,017	-	-	5,608,017	-	5,608,017
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	2,611,252	-	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	\$-	\$33,888,775
2013 final dividend paid	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$(11,043,132)	\$(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	\$-	\$596,705,834

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2014 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2014	2013
<b>Operating activities</b>		
Operating (loss)/profit before changes in working capital	\$ (25,189,669)	\$ 26,671,689
Increase in financial assets at fair value through profit or loss	(37,164,631)	(29,773,312)
Increase in accounts, loans and other receivables	(319,869,927)	(27,635,874)
Increase in accruals, accounts and other payables	283,622,997	59,777,012
Increase in financial liabilities at fair value through profit or loss	11,295,147	–
Other operating cash flows	(2,373,646)	1,071,706
Cash (used in)/generated from operations	\$ (89,679,729)	\$ 30,111,221
Interest received	5,847,448	3,975,797
Dividend received	2,000,093	1,547,672
Interest paid	(1,111,706)	(1,715,685)
Hong Kong Profits Tax paid	–	–
Net cash (used in)/generated from operating activities	\$ (82,943,894)	\$ 33,919,005
<b>Investing activities</b>		
Proceeds on disposal of equipment	\$ –	\$ 53,374
Payment for purchase of properties and equipment	(203,880)	(62,308)
Net cash used in investing activities	\$ (203,880)	\$ (8,934)
<b>Financing activities</b>		
Dividends paid to owners of the Company	\$ (13,803,915)	\$ (11,043,132)
Proceeds from bank loans	305,000,000	566,280,000
Repayment of bank loans	(315,300,000)	(606,800,000)
Net cash used in financing activities	\$ (24,103,915)	\$ (51,563,132)
<b>Net decrease in cash and cash equivalents</b>	<b>\$ (107,251,689)</b>	<b>\$ (17,653,061)</b>
<b>Cash and cash equivalents at 1 July 2014/2013</b>	<b>239,103,210</b>	<b>70,942,797</b>
<b>Cash and cash equivalents at 31 December 2014/2013</b>	<b>\$ 131,851,521</b>	<b>\$ 53,289,736</b>
Represented by:		
Bank balances and cash	\$ 131,851,521	\$ 67,897,738
Bank overdrafts	–	(14,608,002)
	<b>\$ 131,851,521</b>	<b>\$ 53,289,736</b>



# 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 ("HKICPA").

## 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 2014.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
HK(IFRIC)-Int 21	Levies

The application of the above 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 2014						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Revenue from external customers	\$ 2,835,157	\$ 118,801	\$ 25,065,788	\$ 21,595,206	\$ 85	\$ 521,617	\$ 50,136,654
Inter-segment revenue	765	-	847,220	-	569,818	9,372,297	10,790,100
Segment revenue	\$ 2,835,922	\$ 118,801	\$ 25,913,008	\$ 21,595,206	\$ 569,903	\$ 9,893,914	\$ 60,926,754
Net (loss)/gain on disposal of financial assets/ liabilities at fair value through profit or loss and remeasurement to fair value	(17,187,627)	1,234,589	(29,922)	-	-	-	(15,982,960)
Other income	-	-	239,007	-	-	701,173	940,180
Eliminations	(765)	-	(847,220)	-	(569,818)	(9,372,297)	(10,790,100)
Total income	\$ (14,352,470)	\$ 1,353,390	\$ 25,274,873	\$ 21,595,206	\$ 85	\$ 1,222,790	\$ 35,093,874
Segment results	\$ (17,288,902)	\$ (724,398)	\$ (2,439,651)	\$ 386,651	\$ (209,136)	\$ (4,794,787)	\$ (25,070,223)
Share of losses of associates	\$ -	\$ (114,415)	\$ (17,609)	\$ -	\$ -	\$ -	(132,024)
Loss before tax							\$ (25,202,247)

  

	Six months ended 31 December 2013						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
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

## 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:

	<b>31 December 2014</b>	30 June 2014
Investment in securities	<b>\$ 182,305,121</b>	\$ 140,476,624
Structured investment	<b>43,377,816</b>	41,409,070
Brokerage	<b>611,667,491</b>	284,608,127
Corporate finance and capital markets	<b>9,039,482</b>	18,925,107
Asset management	<b>6,907,856</b>	6,891,295
Others	<b>358,301,709</b>	458,324,647
<b>Total segment assets</b>	<b>\$ 1,211,599,475</b>	<b>\$ 950,634,870</b>

**4 (Loss)/profit before tax**

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

	<b>Six months ended 31 December</b>	
	<b>2014</b>	2013
Net (loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value		
– equity securities	<b>\$ (13,729,835)</b>	\$ 32,864,019
– debt securities	<b>(1,219,429)</b>	745,890
– derivatives and others	<b>(1,033,696)</b>	1,237,126
Dividends from listed equity securities	<b>1,037,031</b>	888,817
Interest income from		
– bank deposits	<b>777,186</b>	115,259
– margin and IPO financing	<b>1,070,438</b>	1,915,363
– debt securities	<b>1,821,556</b>	1,607,035
– loans	<b>2,296,050</b>	991,507
– others	<b>15,858</b>	13,598
Staff costs	<b>(34,493,874)</b>	(33,074,348)
Operating lease charges – land and buildings	<b>(1,350,395)</b>	(1,395,477)
Depreciation	<b>(5,714,837)</b>	(5,558,329)
Interest expenses on		
– bank loans and overdrafts	<b>(52,960)</b>	(244,814)
– bank mortgage loan wholly repayable within five years	<b>(1,021,099)</b>	(1,325,643)
– others	<b>(1,604)</b>	(89,202)
Reversal of impairment loss for accounts receivable	<b>–</b>	100,000
<b>Exchange (loss)/gain (net)</b>	<b>(97,066)</b>	<b>892,518</b>

## 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	
	2014	2013
Current tax credit		
– Tax for the period	\$ –	\$ –
Deferred tax credit		
– Tax for the period	35,480	–
<b>Income tax credit</b>	<b>\$ 35,480</b>	<b>\$ –</b>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the current and prior periods. No tax is payable on the profits of certain subsidiaries for the period arising in Hong Kong since the estimated assessable profits of these subsidiaries of the Group of \$2 million (31 December 2013: \$33 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 \$414 million (30 June 2014: \$396 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 from subsidiaries incorporated in Hong Kong will not expire under current tax regulation while tax losses from PRC subsidiaries are subject to expiry periods of five years from the years in which the tax losses arose under the current tax legislation.

**6 Dividends**

Dividends recognised as distributions during the period

	Six months ended 31 December	
	2014	2013
Final dividend in respect of the previous financial year, declared and paid of 0.3 cent per share (2013: 0.3 cent per share)	\$ 13,803,915	\$ 11,043,132

Subsequent to the end of the interim reporting period, at a meeting held on 13 February 2015, the directors declared an interim dividend of 0.2 cent per share (31 December 2013: 0.2 cent per share) with an aggregate amount of \$9,202,610 (31 December 2013: \$7,362,088) based on the number of shares in issue at 13 February 2015.

**7 (Loss)/earnings per share**

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

	Six months ended 31 December	
	2014	2013
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share ((Loss)/profit attributable to owners of the Company for the period)	\$ (25,229,049)	\$ 26,273,736
		restated
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic and diluted earnings per share	4,601,304,882	3,690,886,269

## Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

**7 (Loss)/earnings per share (Continued)***Note:*

The computation of diluted earnings per share for the six months ended 31 December 2013 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 that period. All share options lapsed during the last year. The number of ordinary shares adopted in the calculation of the basic and diluted (loss)/earnings per share for the years of 2014 and 2013 have been adjusted to reflect the bonus element of the open offer completed during the year ended 30 June 2014.

**8 Available-for-sale investments**

	<b>31 December 2014</b>	30 June 2014
Unlisted investments:		
– Partnership shares at cost ( <i>Note</i> )	\$ 7,995,389	\$ 7,995,389

*Note:*

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 2014, the Group granted to an associate a pro-rata shareholders' loan of British Pound 100,000, which was equivalent to \$1,206,780 (30 June 2014: British Pound 100,000, which was equivalent to \$1,319,580). The loan is unsecured, interest-bearing at 2% per annum and is repayable within one year (30 June 2014: repayable within one year).

## Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

**11 Financial assets at fair value through profit or loss**

	31 December 2014	30 June 2014
Held for trading investments include:		
Listed equity securities, at quoted price		
– in Hong Kong	\$ 140,069,431	\$ 122,697,388
– outside Hong Kong	884,229	2,815,319
Listed debt securities, at quoted price (Note)		
– in Hong Kong	16,539,281	13,975,699
– outside Hong Kong	34,800,039	25,306,782
Listed derivatives in Hong Kong, at quoted price	7,878,785	–
Unlisted convertible note (designated), at fair value		
– outside Hong Kong	1,788,054	–
	<b>\$ 201,959,819</b>	<b>\$ 164,795,188</b>

## Note:

The Group held listed debt securities with fair value of \$59,218,105 as at 31 December 2014 (30 June 2014: \$37,625,147) which will be due in 2016 to 2033. The Group also held listed perpetual debt with fair value of \$1,622,618 as at 31 December 2014 (30 June 2014: \$1,657,334).

**12 Accounts, loans and other receivables**

	Notes	31 December 2014	30 June 2014
<b>Accounts and loans receivables</b>			
Amounts due from brokers and clearing houses	(a)	\$ 125,460,644	\$ 66,355,628
Amounts due from margin clients	(b)	35,344,918	28,096,091
Amounts due from cash clients	(c)	280,666,973	35,660,411
Fixed-rate loan receivables	(d)	34,500,000	16,000,000
Other accounts receivable	(e)	5,068,231	15,774,871
		<b>\$ 481,040,766</b>	<b>\$ 161,887,001</b>
Less: Impairment losses		(13,687,266)	(13,687,266)
		<b>\$ 467,353,500</b>	<b>\$ 148,199,735</b>
Prepayments, deposits and other receivables		4,933,373	5,046,633
		<b>\$ 472,286,873</b>	<b>\$ 153,246,368</b>

## Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

**12 Accounts, loans and other receivables (Continued)**

- (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 2014, the Group held \$3,746,955 (30 June 2014: \$4,240,892) with SEOCH and \$14,600,400 (30 June 2014: \$5,804,585) with HKFECC in trust for clients which were not dealt with in these unaudited condensed consolidated financial statements. The Group placed a deposit of \$5,354,693 and securities with fair value of \$645,000 with SEOCH and a deposit of \$155,187 with HKFECC as margin deposits for the business of dealing in options and futures contracts as at 31 December 2014 (30 June 2014: \$nil).

The amount due from a broker of \$6,435,195 (30 June 2014: \$3,955,835) was pledged as securities for the stock borrowing transactions.

- (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 2014, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately \$177 million (30 June 2014: \$113 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 GEM Board of HKEX. The contractual maturity date of the fixed-rate loan receivables is repayable within one year.
- (e) The balance included an amount of \$65,000 (30 June 2014: \$65,000) 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:

	<b>31 December 2014</b>	30 June 2014
Current and within one month	<b>\$ 458,977,726</b>	\$ 146,068,220
More than one month and within three months	<b>6,591,249</b>	1,490,000
More than three months	<b>1,784,525</b>	641,515
	<b>\$ 467,353,500</b>	\$ 148,199,735

**Notes to Condensed Consolidated Financial Statements***(Expressed in Hong Kong dollars)***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 2014, segregated clients' accounts not otherwise dealt with in these unaudited condensed consolidated financial statements amounted to \$462,471,380 (30 June 2014: \$461,802,141). The Group placed fixed deposits with banks of \$6,035,616 as at 31 December 2014 (30 June 2014: \$85,000,000) which will be matured within 3 months.

**14 Financial liabilities at fair value through profit or loss**

	31 December 2014	30 June 2014
Financial liabilities at FVTPL arising from short selling activities	\$ 2,531,580	\$ 1,530,000
Listed derivatives in Hong Kong, at quoted price	10,293,567	–
	\$ 12,825,147	\$ 1,530,000

**15 Net assets attributable to holders of non-controlling interests in consolidated investment fund**

Net assets attributable to holders of non-controlling interests in consolidated investment fund consist of net assets attributable to holders of non-controlling interests in consolidated investment fund which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to holders of non-controlling interests in investment fund cannot be predicted with accuracy since these represent the interest of non-controlling shareholders in consolidated investment fund that are subject to the actions of non-controlling investors.

**16 Accruals, accounts and other payables**

	31 December 2014	30 June 2014
<b>Accounts payable (current and within one month)</b>		
Amounts due to brokers and clearing houses	\$ 155,052,549	\$ 15,078,339
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	207,285,995	51,804,001
Others	636,533	8,206,545
	\$ 362,975,077	\$ 75,088,885
Other creditors, accruals and other provision	21,595,845	25,895,083
	\$ 384,570,922	\$ 100,983,968



## Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

**17 Bank loans**

	<b>31 December 2014</b>	30 June 2014
Secured bank loan – repayable within one year (Note)	<b>\$ 72,100,000</b>	\$ 82,400,000

*Note:*

The bank loan of \$72,100,000 (30 June 2014: \$82,400,000) is secured by the Group's land and building held for own use located in Hong Kong with carrying amount of approximately \$285 million (30 June 2014: \$275 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 loan facility matured in January 2015 and the Group entered into a new secured bank loan with an amount of \$60,000,000.

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 2014, none of the covenants relating to the facilities drawn had been breached.

**18 Contingent liabilities**

	<b>Company</b>	
	<b>31 December 2014</b>	30 June 2014
Guarantees for banking facilities to subsidiaries	<b>\$ 357,200,000</b>	\$ 357,200,000

**19 Commitments****(A) CAPITAL COMMITMENTS**

	<b>31 December 2014</b>	30 June 2014
Contracted but not provided for – equipment	<b>\$ –</b>	\$ 25,000

**Notes to Condensed Consolidated Financial Statements***(Expressed in Hong Kong dollars)***19 Commitments (Continued)****(B) COMMITMENTS UNDER OPERATING LEASES AS LESSEE**

As at 31 December 2014 and 30 June 2014, 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 2014		30 June 2014	
	Rental premises	Hired equipment	Rental premises	Hired equipment
Within one year	\$ 2,580,000	\$ 376,800	\$ 2,580,000	\$ 376,800
Later than 1 year and not later than 5 years	860,000	565,200	2,150,000	753,600
	<b>\$ 3,440,000</b>	<b>\$ 942,000</b>	\$ 4,730,000	\$ 1,130,400

Leases are negotiated and rental are fixed for lease terms of 2 to 5 years. The Group does not have an option to purchase the leased assets at the expiry of the leased period.

**(C) OTHER COMMITMENT**

As at 31 December 2014, the Group entered into an underwriting agreement in relation to an IPO and had a gross commitment of approximately \$20 million (30 June 2014: approximately \$5.3 million).

**20 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	
		2014	2013
Brokerage commission earned on securities, options, futures and commodities dealing	(a)	\$ 1,650	\$ 5,472
– fellow subsidiaries		143,034	181,416
– Group's directors and their close family members			
Common office expenses recharged	(b)	685,500	685,500
– a fellow subsidiary			
Consultancy and management fees received	(c)	270,000	270,000
– a fellow subsidiary			
Interest income from IPO financing	(d)	937	498
– Group's directors and their close family members			

**Notes to Condensed Consolidated Financial Statements***(Expressed in Hong Kong dollars)***20 Related party and connected party transactions (Continued)***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) Interest rate are set at the same level as those normally offered to third party clients.

**21 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.

**(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 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.

**Notes to Condensed Consolidated Financial Statements***(Expressed in Hong Kong dollars)***21 Financial instruments (Continued)****(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.

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 Risk Management Committee ("RMC") for the purposes of independently monitoring the positions of its proprietary trading activities involving equities and derivatives. In addition to the RMC, 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. Certain financial assets are measured daily on a "mark-to-market" basis as appropriate. Other financial assets and liabilities 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 certain financial assets and liabilities. 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, 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.

## Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

**22 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 2014	30 June 2014		
<u>Financial assets</u>				
Listed equity securities	\$ 140,953,660	\$ 125,512,707	Level 1	Quoted price in an active market
Listed debt securities	\$ 51,339,320	\$ 39,282,481	Level 1	Quoted price in an active market
Listed derivatives	\$ 7,878,785	\$ –	Level 1	Quoted price in an active market
Unlisted convertible note	\$ 1,788,054	\$ –	Level 2	Recent transaction price observable in market
<u>Financial liabilities</u>				
Listed equity securities	\$ 2,531,580	\$ 1,530,000	Level 1	Quoted price in an active market
Listed derivatives	\$ 10,293,567	\$ –	Level 1	Quoted price in an active market

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

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

*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 major markets around the world were excited by the monetary easing policies recently adopted by the major economies other than the United States. Negative news was met with positive reactions in the capital markets due to higher hopes of more fiscal and monetary stimulus from the governments. Though the quota utilisation of the Shanghai Hong Kong Stock Connect program was below original expectations, the overall market turnover in Hong Kong still improved. Geopolitical tensions also played a role but the market was more focused on the substantial fall in commodity prices and the resultant impact on inflation and interest rate outlook. At these relative high market index levels, any major unexpected events can cause volatile movement in the markets.

The Hang Seng Index closed at 23,605 at the end of December 2014, compared with 23,191 at the end of June 2014 and 23,306 at the end of December 2013. The average monthly turnover on the Main Board and GEM Board during the six months ended 31 December 2014 ("the first half year of FY2015") was approximately HK\$1,423 billion, an increased of 20% as compared to HK\$1,190 billion for the first half year of FY2014. Funds raised from IPOs on the Main Board in the first half year of FY2015 increased by 17% to HK\$148 billion, as compared to HK\$127 billion for the first half year of FY2014.

## Financial Highlights

The Group recorded a loss of HK\$25 million for the first half year of FY2015, as compared to a profit of HK\$26 million for the first half year of FY2014. After taking into account the other comprehensive income for the period, the Group achieved a total comprehensive expense of HK\$12 million, as compared to total comprehensive income of HK\$34 million for the first half year of FY2014. The revaluation surplus recognised for the land and buildings held for own use increased by HK\$8 million to HK\$13 million for the first half year of FY2015. Commission and fee income from our financial intermediary business was HK\$43 million for the first half year of FY2015, marginally improved from HK\$42 million for the first half year of FY2014. The Group recorded a net loss on the disposal of financial assets/liabilities and the remeasurement to fair value of HK\$16 million, as compared to a net gain of HK\$35 million for the first half year of FY2014.

General and administrative expenses amounted to HK\$54 million for the first half year of FY2015, about the same as compared to HK\$53 million for the first half year of FY2014. The staff costs increased by HK\$1 million, which was in line with the higher fee income.

As explained in the notes to the financial statements, the Group has deposited HK\$40 million into an escrow account of a law firm but the law firm failed to return the 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\$26 million for the first half year of FY2015, compared to HK\$25 million for the first half year of FY2014. The increase in high net worth clients improved the performance of our retail sales team in the first half year of FY2015. Interest income from margin, IPO and loan financing increased by 16% in this period. The Group continued to streamline its operation to reduce the overhead expenses.

## Corporate Finance and Capital Markets

Total revenue of the division was HK\$22 million for the first half year of FY2015, compared with HK\$19 million for the first half year of FY2014. The equity capital market activities remained vibrant in the first half year of FY2015. The division completed several underwriting and placing transactions and the fee income increased by 17% for the first half year of FY2015. Higher variable staff cost was recorded in this period because of higher underwriting and placing fee income.

## Asset Management

Total revenue of the division was HK\$1 million for the first half year of FY2015, while there was no material revenue recognised for the first half year of FY2014. The division is working with the investment fund that the Group has a majority interest to increase the assets under management to generate more revenue.

## Investment in Securities

Total revenue of the division was HK\$3 million for the first half year of FY2015, same as the first half year of FY2014. After including net gain/loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value, total loss was HK\$14 million for the first half year of FY2015, compared with total income of HK\$37 million for the first half year of FY2014. The Hang Seng Index slightly increased by 2% during the first half year of FY2015. However, several small cap shares in our investment portfolio underperformed and affected the overall performance of the division. The division continued to increase the proportion of the listed debt securities in its investment portfolio to diversify the investment risk and stabilise the investment return.

## Structured Investment

There was no material revenue recognised by the division for the first half year of FY2015. 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\$1 million for the first half year of FY2015, compared with no income for the first half year of FY2014. The division is now looking for suitable investment opportunities.

## Outlook

Despite the relative high level of the markets, valuations are still below the historical levels that trigger major corrections. We are therefore cautiously optimistic about the markets, which will likely be range trading but with higher volatility in the coming months. We will position ourselves accordingly in our agency and proprietary investment businesses.

## Liquidity and Financial Resources

Total assets as at end of December 2014 were HK\$1,212 million, of which approximately 67% were current in nature. Net current assets were HK\$321 million, accounting for approximately 45% of the net assets of the Group as at end of December 2014. Cash and cash equivalents of the Group amounted to HK\$132 million as at end of December 2014, which were denominated mainly in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total borrowing of approximately HK\$72 million at the end of December 2014 represented the secured bank loan for financing the acquisition of office property. The bank loan was denominated in Hong Kong dollars and charged at floating interest rate. The bank loan facility matured in January 2015 and the Group entered into a new term loan agreement with the bank. The total bank loan amount was reduced to HK\$60 million and the loan period was 15 months.

The Group's gearing ratio, calculated as a percentage of total borrowings over shareholder's equity, was approximately 10% at the end of December 2014. The office property with carrying value of HK\$285 million was pledged as securities against bank loan granted to the Group.

## Management Discussion and Analysis

### 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. There was steady appreciation of RMB against HK\$ in the last few years, though there were evidences of increase in volatility in 2014. Taking into account all relevant macroeconomic factors, the Group believes that there is no need to hedge these assets denominated in RMB. Management will monitor the situation closely and introduce suitable hedging measures if there are any adverse changes. The Group does not have other material exposure to fluctuation in exchange rates and no hedging instruments are used.

### Risk Management

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

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

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

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

### Risk Management Policies and Procedures

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



## Employees

As at 31 December 2014, the number of full time employees of the Group was 110 (30 June 2014: 112). 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 2014.

## 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 2014 (six months ended 31 December 2013: 0.2 HK cent). The dividend will be payable on or about Tuesday, 14 April 2015 to shareholders whose names appear on the Register of Members at the close of business on Friday, 27 March 2015.

## Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 24 March 2015 to Friday, 27 March 2015, 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 Monday, 23 March 2015.

## 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 2014, 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	51.97%
Dr Jonathan Koon Shum Choi	Personal	639,940,473	13.91%
Mr Michael Koon Ming Choi	Personal	214,570,203	4.66%
Mr Stanley Kam Chuen Ko	Personal	1,500,000	0.03%

- \* 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.

## 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)****(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	66.2%
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 to acquire common shares of SIL which are disclosed in section (III) 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 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 2014 are as follows:

Name of director	Exercise Period	Date of options granted	Exercise price per share	At 1 July 2014	Issued during the period	At 31 December 2014
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 UNSECURED DEBENTURES ISSUED BY SIL

Name of director	Type of interest	Principal amount of debentures	Note
Dr Jonathan Koon Shum Choi*	Corporate	C\$4,500,000	(a)
Mr Michael Koon Ming Choi**	Corporate	C\$1,500,000	(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.

\*\* 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.

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. The terms of the debentures were amended on 31 December 2010, 19 September 2013 and 19 September 2014. Currently the debentures bear an interest rate of 8% per annum payable semi-annually, mature on 19 September 2015 and do not convert into common shares of SIL.

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 2014, 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 2014, 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	–	51.97%	(a)
(2)	Innovation Assets Limited	British Virgin Islands	–	2,391,447,327	51.97%	(a)
(3)	SIL	Bermuda	–	2,391,447,327	51.97%	(a)
(4)	Sun Wah Capital Limited	British Virgin Islands	–	2,391,447,327	51.97%	(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 beneficially owns or has control of more than one-third of the issued share capital of SIL and Sun Wah Capital Limited and therefore is deemed (by virtue of the SFO) to be interested in these 2,391,447,327 shares. Ms Janice Wing Kum Kwan, the spouse of Dr Choi, 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 throughout the six months ended 31 December 2014 except for a deviation which is summarised below:

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election and, pursuant to code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Non-executive Directors of the Company are not all 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 2014, 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 Michael Koon Ming Choi:

During this period, the base salary and allowance of Mr Choi was increased to HK\$200,000 per month.

Dr Lee G. Lam:

During this period, Dr Lam was appointed as Independent Non-Executive Director of Mingyuan Medicare Development Company Limited and China LNG Group Limited. During this period, Dr Lam resigned as Independent Non-Executive Director of Far East Holdings International Limited and Hutchison Harbour Ring Limited.

Mr. Stanley Kam Chuen Ko:

During this period, Mr. Ko retired from the board of directors of China National Aviation Corporation (Group) Limited.

## 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 2014. Terms of reference of the Audit Committee are available on request to shareholders of the Company.

On behalf of the Board

**Michael Koon Ming Choi**

*Chief Executive Officer*

Hong Kong, 13 February 2015

# Independent Review Report

## Deloitte.

### 德勤

#### 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 19, which comprises the condensed consolidated statement of financial position as of 31 December 2014 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

13 February 2015

# 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.  
10 King Street East, Suite 900, Toronto,  
Ontario, Canada M5C 1C3

### **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

