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SUNWAH KINGSWAY
新華滙富

SUNWAH KINGSWAY CAPITAL HOLDINGS LIMITED

新華滙富金融控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00188)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015**

The Board of Directors of Sunwah Kingsway Capital Holdings Limited (the “Company”) hereby submit the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2015.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2015

	<i>Notes</i>	Six months ended 31 December	
		2015	2014
		HK\$	HK\$
		(unaudited)	(unaudited)
Revenue	3		
Commission and fee income		43,518,946	43,118,535
Interest and dividend income		9,361,772	7,018,119
Rental income		672,126	–
		<u>53,552,844</u>	<u>50,136,654</u>
Net loss on disposal of financial assets/ liabilities at fair value through profit or loss and remeasurement to fair value	3	(20,939,808)	(15,982,960)
Other income	3	857,919	940,180
		<u>33,470,955</u>	<u>35,093,874</u>
Operating expenses			
Commission expenses		(5,848,235)	(5,015,541)
General and administrative expenses		(58,289,887)	(54,072,893)
Finance costs		(713,189)	(1,075,663)
		<u>(31,380,356)</u>	<u>(25,070,223)</u>
Fair value changes on investment properties		53,310	–
Impairment loss for other receivable		(95,304)	–
Share of profits/(losses) of associates	3	850,556	(132,024)
		<u>(30,571,794)</u>	<u>(25,202,247)</u>
Loss before tax	4	(30,571,794)	(25,202,247)
Income tax (expenses)/credit	5	(35,150)	35,480
		<u>(30,606,944)</u>	<u>(25,166,767)</u>
Attributable to:			
Owners of the Company		(29,628,330)	(25,229,049)
Non-controlling interests		(139,586)	64,401
Holder of non-controlling interests in consolidated investment fund		<u>(839,028)</u>	<u>(2,119)</u>
Loss for the period		(30,606,944)	(25,166,767)
Basic loss per share	7	(0.5) cent	(0.6) cent
Diluted loss per share	7	(0.5) cent	(0.6) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2015

	Six months ended 31 December	
	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(unaudited)
Loss for the period	(30,606,944)	(25,166,767)
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)	6,247,474	13,131,834
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of overseas subsidiaries	1,591,060	(4,570)
Fair value changes on available-for-sale investments	(7,554,113)	–
	(5,963,053)	(4,570)
Other comprehensive income for the period	284,421	13,127,264
Total comprehensive expenses for the period	(30,322,523)	(12,039,503)
Total comprehensive (expenses)/income attributable to:		
Owners of the Company	(29,343,909)	(12,101,785)
Non-controlling interests	(139,586)	64,401
Holders of non-controlling interests in consolidated investment fund	(839,028)	(2,119)
Total comprehensive expenses for the period	(30,322,523)	(12,039,503)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	31 December 2015 HK\$ (unaudited)	30 June 2015 HK\$ (audited)
Non-current assets			
Investment properties		92,813,210	64,900,000
Properties and equipment		316,893,565	343,545,064
Intangible assets		2,051,141	2,051,141
Interests in associates		14,077,157	16,325,102
Available-for-sale investments		32,412,977	39,967,090
Other receivable	8	32,546,394	32,641,698
Other financial assets		9,102,275	11,357,015
		<u>499,896,719</u>	<u>510,787,110</u>
Current assets			
Held-to-maturity investment		10,000,000	—
Loan to an associate		1,149,100	1,218,130
Financial assets at fair value through profit or loss		264,648,577	157,216,758
Accounts, loans and other receivables	9	298,140,870	284,791,446
Cash and cash equivalents		204,190,787	369,514,912
		<u>778,129,334</u>	<u>812,741,246</u>
Current liabilities			
Financial liabilities at fair value through profit or loss		13,746,244	1,940,000
Net assets attributable to holders of non-controlling interests in consolidated investment fund		16,606,489	17,445,517
Accruals, accounts and other payables	10	156,878,519	234,555,116
Bank loan		60,000,000	95,000,000
Current taxation		1,450,324	1,450,324
		<u>248,681,576</u>	<u>350,390,957</u>
Net current assets		<u>529,447,758</u>	<u>462,350,289</u>
Total assets less current liabilities		<u>1,029,344,477</u>	<u>973,137,399</u>
Non-current liabilities			
Deferred tax liabilities		20,749,663	19,936,962
NET ASSETS		<u>1,008,594,814</u>	<u>953,200,437</u>
CAPITAL AND RESERVES			
Share capital		552,130,488	523,130,488
Reserves		456,099,667	429,565,704
Equity attributable to owners of the Company		<u>1,008,230,155</u>	<u>952,696,192</u>
Non-controlling interests		364,659	504,245
TOTAL EQUITY		<u>1,008,594,814</u>	<u>953,200,437</u>

NOTES

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 investment properties, 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 2015.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

In the current interim period, the Group has applied, for the first time, a member of new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period. The application of the new and revised HKFRSs in the current interim period has had no material impact on the amounts reported and disclosures set out in these condensed consolidated financial statements.

3 SEGMENT INFORMATION

The Group has merged its business segments “Investment in securities” and “Structured investment” adopted in the 2015 annual financial statements to “Proprietary Investment” in this interim report. There is no impact in the recognition of the amounts included in this business segment for both the current and prior periods arising from this merger of business segments. The directors consider that this change result in a more effective management of segment assets. The comparatives figures for Proprietary Investment segment was restated.

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 2015					Consolidated HK\$
	Proprietary investment HK\$	Brokerage HK\$	Corporate finance and capital markets HK\$	Asset management HK\$	Others HK\$	
Revenue from external customers	4,600,399	25,067,326	23,575,843	42	309,234	53,552,844
Inter-segment revenue	1,700	764,495	2,030,000	88,880	9,597,086	12,482,161
Segment revenue	4,602,099	25,831,821	25,605,843	88,922	9,906,320	66,035,005
Net (loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	(21,685,703)	745,895	-	-	-	(20,939,808)
Other income	10,142	78,227	-	-	769,550	857,919
Eliminations	(1,700)	(764,495)	(2,030,000)	(88,880)	(9,597,086)	(12,482,161)
Total income	<u>(17,075,162)</u>	<u>25,891,448</u>	<u>23,575,843</u>	<u>42</u>	<u>1,078,784</u>	<u>33,470,955</u>
Segment results	<u>(23,308,113)</u>	<u>(600,396)</u>	<u>1,871,575</u>	<u>(731,622)</u>	<u>(8,653,794)</u>	<u>(31,422,350)</u>
Share of profits of associates	12,897	837,659	-	-	-	850,556
Loss before tax						<u>(30,571,794)</u>

	Six months ended 31 December 2014					Consolidated <i>HK\$</i>
	Proprietary investment (Restated) <i>HK\$</i>	Brokerage <i>HK\$</i>	Corporate finance and capital markets <i>HK\$</i>	Asset management <i>HK\$</i>	Others <i>HK\$</i>	
Revenue from external customers	2,953,958	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	2,954,723	25,913,008	21,595,206	569,903	9,893,914	60,926,754
Net loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	(15,953,038)	(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	<u>(12,999,080)</u>	<u>25,274,873</u>	<u>21,595,206</u>	<u>85</u>	<u>1,222,790</u>	<u>35,093,874</u>
Segment results	<u>(18,013,300)</u>	<u>(2,439,651)</u>	<u>386,651</u>	<u>(209,136)</u>	<u>(4,794,787)</u>	<u>(25,070,223)</u>
Share of losses of associates	(114,415)	(17,609)	–	–	–	(132,024)
Loss before tax						<u>(25,202,247)</u>

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

	31 December 2015	30 June 2015 (Restated)
	<i>HK\$</i>	<i>HK\$</i>
Proprietary investment	433,153,859	317,305,786
Brokerage	495,025,320	469,641,082
Corporate finance and capital markets	10,034,869	10,068,973
Asset management	5,724,793	5,611,965
Others	334,087,212	520,900,550
Total segment assets	<u>1,278,026,053</u>	<u>1,323,528,356</u>

4 LOSS BEFORE TAX

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

	Six months ended 31 December	
	2015 HK\$	2014 HK\$
Net (loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value		
– equity securities	(25,791,095)	(13,729,835)
– debt securities	(582,107)	(1,219,429)
– derivatives and others	5,433,394	(1,033,696)
Dividends from listed equity securities	1,928,330	1,037,031
Interest income from		
– bank deposits	939,167	777,186
– margin and IPO financing	1,788,116	1,070,438
– debt securities	1,954,691	1,821,556
– loans	2,735,100	2,296,050
– others	16,368	15,858
Staff costs	(33,770,655)	(34,493,874)
Operating lease charges – land and buildings	(1,360,299)	(1,350,395)
Depreciation	(5,891,186)	(5,714,837)
Interest expenses on		
– bank loans and overdrafts	–	(52,960)
– secured bank loan wholly repayable within one year	(710,673)	–
– bank mortgage loan wholly repayable within five years	–	(1,021,099)
– others	(2,516)	(1,604)
Impairment loss for accounts receivable	(23,576)	–
Exchange loss (net)	(2,109,106)	(97,066)

5 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 31 December	
	2015 HK\$	2014 HK\$
Deferred tax (expenses)/credit		
– Tax for the period	(35,150)	35,480

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 arising in Hong Kong for the period since the estimated assessable profits of these subsidiaries of the Group of HK\$5 million (31 December 2014: HK\$2 million) are wholly absorbed by tax losses brought forward.

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$407 million (30 June 2015: HK\$384 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	
	2015	2014
	HK\$	HK\$
Final dividend in respect of the previous financial year, declared and paid of 0.3 HK cent per share (2014: 0.3 HK cent per share)	<u>16,563,915</u>	<u>13,803,915</u>

Subsequent to the end of the interim reporting period, at a meeting held on 5 February 2016, the directors declared an interim dividend of 0.2 HK cent per share (31 December 2014: 0.2 HK cent per share) with an aggregate amount of HK\$11,042,610 (31 December 2014: HK\$9,202,610) based on the number of shares in issue at 5 February 2016.

7 LOSS PER SHARE

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

	Six months ended 31 December	
	2015	2014
Loss		
Loss for the purposes of basic and diluted loss per share (Loss attributable to owners of the Company for the period)	<u>HK\$(29,628,330)</u>	<u>HK\$(25,229,049)</u>
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	<u>5,500,815,752</u>	<u>4,601,304,882</u>

8 OTHER RECEIVABLE

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

9 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	<i>Notes</i>	31 December 2015 HK\$	30 June 2015 HK\$
Accounts and loans receivables			
Amounts due from brokers and clearing houses	(a)	96,253,375	50,423,930
Amounts due from margin clients	(b)	33,703,728	31,578,875
Amounts due from cash clients	(c)	123,698,518	175,806,025
Fixed-rate loans receivable	(d)	31,000,000	16,500,000
Other accounts receivable	(e)	5,009,029	2,668,922
		289,664,650	276,977,752
Less: Impairment losses		(1,687,768)	(1,687,768)
		287,976,882	275,289,984
Prepayments, deposits and other receivables		10,163,988	9,501,462
		298,140,870	284,791,446

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 2015, the Group held HK\$5,748,559 (30 June 2015: HK\$9,350,800) with SEOCH and HK\$6,932,138 (30 June 2015: HK\$10,775,610) with HKFECC in trust for clients which were not dealt with in these unaudited condensed consolidated financial statements. The Group placed a deposit of HK\$1,434,606 with SEOCH and a deposit of HK\$185,329 with HKFECC as margin deposits for the business of dealing in options and futures contracts as at 31 December 2015 (30 June 2015: HK\$nil).

The amount due from a broker of HK\$13,235,960 (30 June 2015: HK\$2,788,500) 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 2015, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$185 million (30 June 2015: HK\$147 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. As at 31 December 2015, the balance included an amount due from a cash client of approximately HK\$78 million for the outstanding placing proceeds of the Company's shares issued in July 15. The cash client is a reputable financial institution. In consideration of the progress payments, the Group agreed with the client to extend the settlement date to 31 December 2015.
- (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, property located in Hong Kong and/or by marketable securities listed on the GEM Board of HKEX. The contractual maturity date of the fixed-rate loan receivables is repayable within one year.
- (e) The Group normally allows credit periods of up to 30 days to customers, except for certain creditworthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period.

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

	31 December	30 June
	2015	2015
	HK\$	HK\$
Current and within one month	285,456,504	272,831,479
More than one month and within three months	1,203,850	1,445,000
More than three months	1,316,528	1,013,505
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	287,976,882	275,289,984
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10 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December	30 June
	2015	2015
	HK\$	HK\$
Accounts payable (current and within one month)		
Amounts due to brokers and clearing houses	4,412,631	121,681,723
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	127,022,214	82,420,965
Others	1,004,480	2,666,657
	<hr/>	<hr/>
	132,439,325	206,769,345
Other creditors, accruals and other provisions	24,439,194	27,785,771
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	156,878,519	234,555,116
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MANAGEMENT DISCUSSION AND ANALYSIS

The Market

2015 was a turbulent year for the PRC and Hong Kong financial markets. The bullish sentiments in early 2015 quickly turned bearish in the second calendar quarter and the sudden change in the exchange rate management policy of the People's Bank of China in August added more volatility to the market. The global bear market in commodities and oil in particular turned funds away from emerging markets and led to falls in both exchange rates and equities markets. Markets became more stable in the fourth calendar quarter. However, volatility returned again in December when the United States announced the first interest rate hike in nearly a decade.

The Hang Seng Index closed at 21,914 at the end of December 2015, compared with 26,250 at the end of June 2015 and 23,605 at the end of December 2014. The average monthly turnover on the Main Board and GEM Board during the six months ended 31 December 2015 ("the first half year of FY2016") was approximately HK\$1,821 billion, an increased of 15% as compared to HK\$1,590 billion for the first half year of FY2015. Funds raised from IPOs on the Main Board in the first half year of FY2016 decreased by 12% to HK\$131 billion, as compared to HK\$149 billion for the first half year of FY2015.

Financial Highlights

The Group recorded a loss attributable to owners of HK\$30 million for the first half year of FY2016, as compared to a loss of HK\$25 million for the first half year of FY2015. After taking into account the other comprehensive expense for the period, the Group recorded a total comprehensive expense attributable to owners of HK\$29 million, as compared to a total comprehensive expense of HK\$12 million for the first half year of FY2015. The unlisted private equity fund, whose results is reflected in comprehensive income, recorded a loss of HK\$8 million for the first half year of FY2016.

Commission and fee income from our financial intermediary business was HK\$44 million for the first half year of FY2016, marginally improved as compared with HK\$43 million for the first half year of FY2015. Interest and dividend income was HK\$9 million for the first half year of FY2016, an increased of 33% as compared to HK\$7 million for the first half year of FY2015. The Group received rental income of HK\$1 million from the investment properties located at Hong Kong and Beijing for the first half year of FY2016. The Group recorded a net loss on the disposal of financial assets/liabilities and the remeasurement to fair value of HK\$21 million, as compared to a net loss of HK\$16 million for the first half year of FY2015. General and administrative expenses amounted to HK\$58 million for the first half year of FY2016, slightly increased from HK\$54 million for the first half year of FY2015. The financial intermediary business was stable during the reporting period. However, the proprietary investments were affected by the market sentiment and recorded substantial mark to market losses.

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 FY2016, same as HK\$26 million for the first half year of FY2015. The division launched a mobile trading application during the period to increase our competitiveness. The division is working continuously to improve its services delivery standard by upgrading its technology, amid strong competition from banks and other service providers.

The Company placed new shares to an independent third party placee on 13 July 2015. However, the placee only partially paid HK\$24 million to the placing agent, a subsidiary of the Group. The placing agent has engaged legal consultants to recover the remaining balance of the placing proceeds of approximately HK\$78 million and interest.

Corporate Finance and Capital Markets

Total revenue of the division was HK\$26 million for the first half year of FY2016, compared with HK\$22 million for the first half year of FY2015. The division, acting as the sponsor, completed the listing of Wan Kei Group Holdings Limited in August 2015 even though the market sentiment was poor during the period. Fund raising activity fell significantly during the period and the fund raised from IPO dropped by 12% when compared with the first half year of FY2015. Consequently, fee income from underwriting and placements fell by HK\$2 million from HK\$12 million for the first half year of FY2015 to HK\$10 million for the first half year of FY2016. The division focused on securing more advisory work under the current market situation. The advisory fee increased by HK\$3 million to HK\$13 million for the first half year of FY2016 as compared to HK\$10 million for the first half year of Year 2015.

Asset Management

There was no material revenue recognised by the division for the first half year of FY2016, as compared with HK\$1 million for the first half year of FY2015. 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.

Proprietary Investment

The Group continued to diversify its investment portfolio and invested in listed equities and derivatives, listed debt securities, unlisted private equity fund, unlisted convertible bond and investment properties. As market dynamics are changing rapidly, more flexibility in investment horizons and products structuring is required. Management therefore merged the investment in securities and structured investment divisions into proprietary investment division to better manage our portfolio.

Total revenue of the division was HK\$5 million for the first half year of FY2016, compared with HK\$3 million 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 loss was HK\$17 million for the first half year of FY2016, compared with total loss of HK\$13 million for the first half year of FY2015. The Hang Seng Index sharply decreased by 17% during the first half year of FY2016. As a result, the division recorded a trading loss of HK\$22 million for its trading portfolio.

The property located at Beijing previously recorded as “own use office” was transferred from land and buildings held for own use to investment properties in December 2015 after the entering into the rental agreement with an independent third party. The Group also leased out the investment property located at Kwun Tong during the period. The rental income received from these properties can provide a stable return for the division.

Capital Structure

In July 2015, the Company completed the placement of 290,000,000 new shares with net proceeds amounting to HK\$101 million. Approximately HK\$15 million was used to finance the loan financing business. Approximately HK\$78 million was used to finance the brokerage business. The remainder of approximately HK\$8 million was used as general working capital of the Group.

In May 2015, the Company completed the placement of 630,000,000 new shares with net proceeds amounting to HK\$208 million. Approximately HK\$64 million was used to purchase investment properties. The remainder of approximately HK\$144 million was used to purchase financial assets at fair value through profit or loss, available-for-sale investments and held-to-maturity investment.

Outlook

January 2016 was even more volatile than 2015. Markets are torn between the interest rate increasing cycle of the United States and the likely increase in quantitative easing in Europe and Japan. The emerging markets continued to underperform due to depressed commodity prices. The Group remains financially sound and liquid in this difficult period and we believe that there are still ample development opportunities in the markets. The Group will also continue with its prudent management policy to safeguard the interests of our stakeholders.

Liquidity and Financial Resources

Total assets as at the end of December 2015 were HK\$1,278 million, of which approximately 61% were current in nature. Net current assets were HK\$529 million, accounting for approximately 52% of the net assets of the Group as at the end of December 2015.

The Group generally finances its daily operations from internal resources. Total borrowing of approximately HK\$60 million at the end of December 2015 represented the secured bank loan for financing the acquisition of office property. The bank loan facility matured in January 2016 and the Group entered into a new 2 years term loan agreement with the bank.

The Group's gearing ratio, calculated as a percentage of total borrowings over shareholder's equity, was approximately 6% at the end of December 2015. The office property with carrying value of HK\$297 million was pledged as securities against bank loan 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 and debt securities denominated in RMB. Taking into account all relevant macroeconomic factors and the size of assets held, the Group believes that there is no need to hedge these assets denominated in RMB currently. Management will monitor the situation closely and introduce suitable hedging measures if there are any material adverse changes. The Group does not have other material exposure to fluctuation in exchange rates and no hedging instruments are used.

Employees

As at 31 December 2015, the number of full time employees of the Group was 97 (30 June 2015: 95). 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 2015.

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 2015 (six months ended 31 December 2014: 0.2 HK cent). The dividend will be payable on or about Thursday, 14 April 2016 to shareholders whose names appear on the Register of Members at the close of business on Thursday, 24 March 2016.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the six months ended 31 December 2015 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 reelection 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.

SECURITIES TRANSACTIONS BY DIRECTORS

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 22 March 2016 to Thursday, 24 March 2016, 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, 21 March 2016.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the interim report and the unaudited condensed consolidated financial statements for the six months ended 31 December 2015. Terms of reference of the Audit Committee are available on request to shareholders of the Company.

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

During the six months ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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

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

Hong Kong, 5 February 2016

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