

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



Blossoming performance in years ahead



Interim Report

2015/16



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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.

Corporate Information

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

Elizabeth Law

Huanfei Guan

LEGAL ADVISORS TO THE COMPANY

As to Hong Kong Law:

MinterEllison

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88 Queensway, Hong Kong

As to Bermuda Law:

Conyers Dill & Pearman

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8 Connaught Place, Central, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

35th Floor, One Pacific Place,

88 Queensway, Hong Kong

REGISTERED OFFICE

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2 Church Street,

Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor, Tower One, Lippo Centre

89 Queensway, Hong Kong

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*)

Elizabeth Law

Huanfei Guan

NOMINATION COMMITTEE

Elizabeth Law (*Chairman*)

Jonathan Koon Shum Choi

Robert Tsai To Sze

Huanfei Guan

COMPENSATION COMMITTEE

Elizabeth Law (*Chairman*)

Jonathan Koon Shum Choi

Robert Tsai To Sze

Huanfei Guan

CORPORATE GOVERNANCE COMMITTEE

Lee G. Lam (*Chairman*)

Janice Wing Kum Kwan

Huanfei Guan

Condensed Consolidated Income Statement

For the six months ended 31 December 2015 – unaudited (Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2015	2014
Revenue			
Commission and fee income		\$ 43,518,946	\$ 43,118,535
Interest and dividend income		9,361,772	7,018,119
Rental income		672,126	–
		\$ 53,552,844	\$ 50,136,654
Net loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value		(20,939,808)	(15,982,960)
Other income		857,919	940,180
	3	\$ 33,470,955	\$ 35,093,874
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)
		\$ (31,380,356)	\$ (25,070,223)
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)
Loss before tax	4	\$ (30,571,794)	\$ (25,202,247)
Income tax (expenses)/credit	5	(35,150)	35,480
Loss for the period		\$ (30,606,944)	\$ (25,166,767)
Attributable to:			
Owners of the Company		\$ (29,628,330)	\$ (25,229,049)
Non-controlling interests		(139,586)	64,401
Holders of non-controlling interests in consolidated investment fund		(839,028)	(2,119)
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 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2015	2014
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 – unaudited (Expressed in Hong Kong dollars)

	Notes	31 December 2015	30 June 2015
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	8	32,412,977	39,967,090
Other receivable	9	32,546,394	32,641,698
Other financial assets		9,102,275	11,357,015
		\$ 499,896,719	\$ 510,787,110
Current assets			
Held-to-maturity investment		\$ 10,000,000	\$ –
Loan to an associate	10	1,149,100	1,218,130
Financial assets at fair value through profit or loss	11	264,648,577	157,216,758
Accounts, loans and other receivables	12	298,140,870	284,791,446
Cash and cash equivalents	13	204,190,787	369,514,912
		\$ 778,129,334	\$ 812,741,246
Current liabilities			
Financial liabilities at fair value through profit or loss	14	\$ 13,746,244	\$ 1,940,000
Net assets attributable to holders of non-controlling interests in consolidated investment fund	15	16,606,489	17,445,517
Accruals, accounts and other payables	16	156,878,519	234,555,116
Bank loan	17	60,000,000	95,000,000
Current taxation		1,450,324	1,450,324
		\$ 248,681,576	\$ 350,390,957
Net current assets		\$ 529,447,758	\$ 462,350,289
Total assets less current liabilities		\$ 1,029,344,477	\$ 973,137,399
Non-current liabilities			
Deferred tax liabilities		\$ 20,749,663	\$ 19,936,962
NET ASSETS		\$ 1,008,594,814	\$ 953,200,437
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		\$ 1,008,230,155	\$ 952,696,192
Non-controlling interests		364,659	504,245
TOTAL EQUITY		\$ 1,008,594,814	\$ 953,200,437

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2015 – unaudited (Expressed in Hong Kong dollars)

	Attributable to owners of the Company								Non-controlling interest	Total	
	Share capital	Share premium	Special reserve	Capital reserve on consolidation	Exchange reserve	Properties revaluation reserve	Investments revaluation reserve	Accumulated losses			Total
At 1 July 2015	\$ 523,130,488	\$ 280,467,471	\$ 39,800,000	\$ 63,391,540	\$ (3,569,400)	\$ 110,740,427	\$ 962,501	\$ (62,226,827)	\$ 952,696,192	\$ 504,245	\$ 953,200,437
Loss for the period	-	-	-	-	-	-	-	-	-	-	-
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	1,591,060	-	-	-	1,591,060	-	1,591,060
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	6,247,474	-	-	6,247,474	-	6,247,474
Fair value changes on available-for-sale investments	-	-	-	-	-	-	(7,554,113)	-	(7,554,113)	-	(7,554,113)
Total comprehensive (expenses)/income for the period	-	-	-	-	1,591,060	6,247,474	(7,554,113)	(29,628,330)	(29,343,900)	(139,586)	(29,483,495)
2015 final dividend paid	-	-	-	-	-	-	-	(16,563,915)	(16,563,915)	-	(16,563,915)
Issue of share	29,000,000	72,500,000	-	-	-	-	-	-	101,500,000	-	101,500,000
Share issue expenses	-	(58,213)	-	-	-	-	-	-	(58,213)	-	(58,213)
At 31 December 2015	\$ 552,130,488	\$ 352,909,258	\$ 39,800,000	\$ 63,391,540	\$ (1,978,348)	\$ 116,987,901	\$ (6,591,612)	\$ (108,419,072)	\$ 1,008,230,155	\$ 364,659	\$ 1,008,594,814
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)	(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

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2015 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2015	2014
Operating activities		
Operating loss before changes in working capital	\$ (32,476,905)	\$ (25,189,669)
Increase in financial assets at fair value through profit or loss	(107,431,819)	(37,164,631)
Decrease/(increase) in accounts, loans and other receivables	63,489,124	(319,869,927)
(Decrease)/increase in accruals, accounts and other payables	(77,544,628)	283,622,997
Increase in financial liabilities at fair value through profit or loss	11,806,244	11,295,147
Other operating cash flows	2,254,740	(2,373,646)
Cash used in operations	\$ (139,903,244)	\$ (89,679,729)
Interest received	7,068,380	5,847,448
Dividend received	3,000,924	2,000,093
Interest paid	(845,158)	(1,111,706)
Net cash used in operating activities	\$ (130,679,098)	\$ (82,943,894)
Investing activities		
Payment for purchase of properties and equipment	\$ (75,320)	\$ (203,880)
Return of capital from an associate	3,098,501	–
Payment for purchase of held-to-maturity investment	(10,000,000)	–
Net cash used in investing activities	\$ (6,976,819)	\$ (203,880)
Financing activities		
Dividends paid to owners of the Company	\$ (16,563,915)	\$ (13,803,915)
Proceeds from bank loans	–	305,000,000
Repayment of bank loans	(35,000,000)	(315,300,000)
Net proceeds from issue of equity shares	23,895,707	–
Net cash used in financing activities	\$ (27,668,208)	\$ (24,103,915)
Net decrease in cash and cash equivalents	\$ (165,324,125)	\$ (107,251,689)
Cash and cash equivalents at 1 July 2015/2014	369,514,912	239,103,210
Cash and cash equivalents at 31 December 2015/2014	\$ 204,190,787	\$ 131,851,521
Represented by:		
Bank balances and cash	\$ 204,190,787	\$ 131,851,521

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 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 number 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.

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

3 Segment information (Continued)

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					
	Proprietary investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
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	\$ (17,075,162)	\$ 25,891,448	\$ 23,575,843	\$ 42	\$ 1,078,784	\$ 33,470,955
Segment results	\$ (23,308,113)	\$ (600,396)	\$ 1,871,575	\$ (731,622)	\$ (8,653,794)	\$ (31,422,350)
Share of profits of associates	\$ 12,897	\$ 837,659	\$ -	\$ -	\$ -	\$ 850,556
Loss before tax						\$ (30,571,794)

	Six months ended 31 December 2014					
	Proprietary investment (Restated)	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
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	\$ (12,999,080)	\$ 25,274,873	\$ 21,595,206	\$ 85	\$ 1,222,790	\$ 35,093,874
Segment results	\$ (18,013,300)	\$ (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)

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

3 Segment information (Continued)

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

	31 December 2015	30 June 2015 (Restated)
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	\$ 1,278,026,053	\$ 1,323,528,356

4 Loss before tax

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

	Six months ended 31 December	
	2015	2014
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)

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	
	2015	2014
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 \$5 million (31 December 2014: \$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 \$407 million (30 June 2015: \$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
Final dividend in respect of the previous financial year, declared and paid of 0.3 cent per share (2014: 0.3 cent per share)	\$ 16,563,915	\$ 13,803,915

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 cent per share (31 December 2014: 0.2 cent per share) with an aggregate amount of \$11,042,610 (31 December 2014: \$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)	\$ (29,628,330)	\$ (25,229,049)
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	5,500,815,752	4,601,304,882

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

8 Available-for-sale investments

	<i>Notes</i>	31 December 2015	30 June 2015
Unlisted investments:			
– Investment fund at fair value	<i>(a)</i>	\$ 24,417,588	\$ 31,971,701
– Partnership shares at cost	<i>(b)</i>	\$ 7,995,389	\$ 7,995,389
		\$ 32,412,977	\$ 39,967,090

Notes:

- (a) The fair value of the investment fund was based on the net asset value of the investment fund reported to the Trustee by the administrator as of the end of the reporting period.
- (b) 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 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.

10 Loan to an associate

As at 31 December 2015, the Group granted to an associate a pro-rata shareholders’ loan of British Pound 100,000, which was equivalent to \$1,149,100 (30 June 2015: British Pound 100,000, which was equivalent to \$1,218,130). The loan is unsecured, interest-bearing at 2% per annum and is repayable within one year (30 June 2015: 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 2015	30 June 2015
Held for trading investments include:		
Listed equity securities, at quoted price		
– in Hong Kong	\$ 175,617,460	\$ 107,703,185
– outside Hong Kong	2,761,031	892,546
Listed debt securities, at quoted price (Note)		
– in Hong Kong	22,470,202	18,179,825
– outside Hong Kong	27,883,743	30,441,202
Listed derivatives, at quoted price		
– in Hong Kong	7,916,141	–
Unlisted convertible note (designated), at fair value		
– outside Hong Kong	28,000,000	–
	\$ 264,648,577	\$ 157,216,758

Note:

The Group held listed debt securities and derivatives with fair value of \$56,692,333 as at 31 December 2015 (30 June 2015: \$47,002,979) which will be due in 2016 to 2023. The Group also held listed perpetual debt with fair value of \$1,577,753 as at 31 December 2015 (30 June 2015: \$1,618,048).

12 Accounts, loans and other receivables

	<i>Notes</i>	31 December 2015	30 June 2015
Accounts and loans receivables			
Amounts due from brokers and clearing houses	<i>(a)</i>	\$ 96,253,375	\$ 50,423,930
Amounts due from margin clients	<i>(b)</i>	33,703,728	31,578,875
Amounts due from cash clients	<i>(c)</i>	123,698,518	175,806,025
Fixed-rate loans receivable	<i>(d)</i>	31,000,000	16,500,000
Other accounts receivable	<i>(e)</i>	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 to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

12 Accounts, loans and other receivables (Continued)

Notes:

- (a) Amounts due from brokers and clearing houses are required to be settled on the settlement day determined under the relevant market practices or exchange rules.

The Group maintains clients' monies arising from the ordinary course of business of dealing in options and futures contracts in trust with The SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKFECC"). At 31 December 2015, the Group held \$5,748,559 (30 June 2015: \$9,350,800) with SEOCH and \$6,932,138 (30 June 2015: \$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 \$1,434,606 with SEOCH and a deposit of \$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: \$nil).

The amount due from a broker of \$13,235,960 (30 June 2015: \$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 \$185 million (30 June 2015: \$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 \$78 million for the outstanding placing proceeds of the Company's shares issued in July 2015. 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 2015	30 June 2015
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
	\$ 287,976,882	\$ 275,289,984

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 2015, segregated clients' accounts not otherwise dealt with in these unaudited condensed consolidated financial statements amounted to \$940,267,117 (30 June 2015: \$831,246,035). The Group placed fixed deposits with banks of \$5,548,149 as at 31 December 2015 (30 June 2015: \$16,321,286) which will mature within 3 months.

14 Financial liabilities at fair value through profit or loss

	31 December 2015	30 June 2015
Financial liabilities at FVTPL arising from short selling activities	\$ 5,436,260	\$ 1,940,000
Listed derivatives, at quoted price		
– in Hong Kong	8,298,512	–
– outside Hong Kong	11,472	–
	\$ 13,746,244	\$ 1,940,000

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

Net assets attributable to holders of non-controlling interests in the 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 2015	30 June 2015
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
	\$ 132,439,325	\$ 206,769,345
Other creditors, accruals and other provisions	24,439,194	27,785,771
	\$ 156,878,519	\$ 234,555,116

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

17 Bank loan

	31 December 2015	30 June 2015
Secured bank loan – repayable within one year	\$ 60,000,000	\$ 95,000,000

Note:

As at 31 December 2015, the bank loan of \$60,000,000 (30 June 2015: \$95,000,000) is secured by the Group's land and building held for own use located in Hong Kong with carrying amount of approximately \$297 million (30 June 2015: \$293 million). The amount due is repayable within one year with interest bearing at 1.85% above HIBOR (30 June 2015: 1.6%-1.85% above HIBOR).

Some of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was 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 2015 and 30 June 2015, none of the covenants relating to the facilities drawn had been breached.

18 Contingent liabilities

	Company	
	31 December 2015	30 June 2015
Guarantees for banking facilities to subsidiaries	\$ 334,200,000	\$ 344,200,000

19 Commitments**(A) CAPITAL COMMITMENTS**

	31 December 2015	30 June 2015
Contracted but not provided for – leasehold improvements	\$ 3,080,020	\$ –
Approved but not contracted for – equipment	–	152,500
	\$ 3,080,020	\$ 152,500

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 2015 and 30 June 2015, 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 2015		30 June 2015	
	Rental premises	Hired equipment	Rental premises	Hired equipment
Within one year	\$ 860,000	\$ 376,800	\$ 2,261,000	\$ 376,800
Later than 1 year and not later than 5 years	–	188,400	–	376,800
	\$ 860,000	\$ 565,200	\$ 2,261,000	\$ 753,600

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) COMMITMENTS UNDER OPERATING LEASES AS LESSOR

As at 31 December 2015 and 30 June 2015, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases in respect of office premises which fall due as follows:

	31 December 2015	30 June 2015
Within one year	\$ 4,294,536	\$ –
Later than 1 year and not later than 5 years	8,122,632	–
	\$ 12,417,168	\$ –

Leases are negotiated and rental are fixed for lease terms of 2 to 3 years. The Group does not provide an option to the lessees to purchase the leased assets at the expiry of the leased period.

(D) OTHER COMMITMENTS

The Group did not have any other commitments as at 31 December 2015. (30 June 2015: approximately \$0.7 million).

Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

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	
		2015	2014
Brokerage commission earned on securities, options, futures and commodities dealing	(a)		
– fellow subsidiaries		\$ –	\$ 1,650
– Group's directors and their close family members		326,512	143,034
Common office expenses recharged	(b)		
– a fellow subsidiary		685,500	685,500
Consultancy and management fees earned	(c)		
– a fellow subsidiary		270,000	270,000
Interest income from IPO financing	(d)		
– Group's directors and their close family members		330	937
Rental income from investment property	(e)		
– a company controlled by Group's directors' close family member		443,667	–

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 rates are set at the same level as those normally offered to third party clients.
- (e) The rental income are determined with reference to the market rent and on normal commercial terms.

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 the preset limit.

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

The Group manages its liquidity position to ensure the Group maintains a prudent and adequate liquidity ratio, in strict accordance with statutory requirements. This is achieved by the management, comprising the Chief Financial Officer and the Financial Controller monitoring the liquidity position of the Group on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations and compliance with statutory requirements such as the Hong Kong Securities and Futures (Financial Resources) Rules applying to various licensed subsidiaries.

(C) PRICE RISK

The Group is exposed to price changes arising from investments classified as financial assets or financial liabilities at fair value through profit or loss.

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 exposures 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 2015	30 June 2015		
<u>Financial assets</u>				
Listed equity securities	\$ 178,378,491	\$ 108,595,731	Level 1	Quoted price in an active market
Listed debt securities	\$ 50,353,945	\$ 48,621,027	Level 1	Quoted price in an active market
Listed derivatives	\$ 7,916,141	\$ –	Level 1	Quoted price in an active market
Unlisted investment fund	\$ 24,417,588	\$ 31,971,701	Level 2	Dealing price of the fund derived from the net asset value of the fund
Unlisted convertible note	\$ 28,000,000	\$ –	Level 2	Recent transaction price
<u>Financial liabilities</u>				
Listed equity securities	\$ 5,436,260	\$ 1,940,000	Level 1	Quoted price in an active market
Listed derivatives	\$ 8,309,984	\$ –	Level 1	Quoted price in an active market

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

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 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 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.

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 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.

Management Discussion and Analysis

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.

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 conditions 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.

Risk Management (Continued)

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 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.

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.

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

As at 31 December 2015, 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	43.31%
Dr Jonathan Koon Shum Choi	Personal	658,220,473	11.92%
Mr Michael Koon Ming Choi	Personal	17,330,203	0.31%

* 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.

(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	74,371,646 (Note 1)	85,024,742	91.3%
Mr Michael Koon Ming Choi	118,937	23,405,487 (Note 2)	23,524,424	25.3%

* By virtue of his interest in SIL, Dr Jonathan Koon Shum Choi is deemed to be interested in the shares of the subsidiaries (including the Company as disclosed in section (I) above) of SIL under the SFO.

Notes:

- (1) Of these, 36,966,159 shares are held by Sun Wah Capital Limited, 14,000,000 shares are held by Scarlet Red Limited and the remaining 23,405,487 shares are held by Perfect Dream Holdings 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, Scarlet Red Limited and Perfect Dream Holdings Limited, respectively.
- (2) The 23,405,487 shares are held by Perfect Dream Holdings Limited, Mr Michael Koon Ming 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 Perfect Dream Holdings Limited.

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (Continued)

(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 2015 are as follows:

Name of director	Exercise Period	Date of options granted	Exercise price per share	At 1 July 2015	Lapsed during the period	At 31 December 2015
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)	–

(IV) INTEREST IN UNSECURED DEBENTURES ISSUED BY SIL

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

* The debenture is held by Sun Wah Capital Limited. Dr Jonathan Koon Shum Choi is deemed to be interested in this debenture 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 debenture is held by Ideal Performance Limited, a company wholly owned by Mr Michael Koon Ming Choi who is deemed to be interested in this debenture.

Note:

The debentures bear an interest at the rate of 8% per annum payable semi-annually and matured on 19 September 2016.

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 2015, 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 2015, 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	–	43.31%	(a)
(2)	Innovation Assets Limited	British Virgin Islands	–	2,391,447,327	43.31%	(a)
(3)	SIL	Bermuda	–	2,391,447,327	43.31%	(a)
(4)	Sun Wah Capital Limited	British Virgin Islands	–	2,391,447,327	43.31%	(a)
(5)	廣州匯垠發展投資合夥企業	PRC	290,000,000	–	5.25%	

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 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 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 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months period under review and they have all confirmed that they have complied with the required standard set out in the Model Code.

Changes in Directors' Information

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

Dr Lee G. Lam:

During this period, Dr Lam was appointed as Non-Executive Director of UDL Holdings Limited and as Independent Non-Executive Director of Sino Resources Group Limited. During this period, Dr Lam resigned as Non-Executive Director of Heng Fai Enterprises Limited (renamed as ZH International Holdings Limited) and UDL Holdings 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 2015. 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, 5 February 2016

Independent Review Report

Deloitte.

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To the Board of Directors of Sunwah Kingsway Capital Holdings Limited

Introduction

We have reviewed the condensed consolidated financial statements of Sunwah Kingsway Capital Holdings Limited (the “Company”) and its subsidiaries set out on pages 2 to 19, which comprises the condensed consolidated statement of financial position as of 31 December 2015 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

5 February 2016

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 Ltd. – Beijing
Representative Office
- Beijing Kingsway Advisory Limited
18/F, Block 1, Henderson Centre,
18 Jianguomenneida,
Beijing, 100005, PRC
- Shanghai Kingsway Financial Consultancy Limited
Room 2038-2039, Catic Building, 212 Jiangning Road,
Jingan, Shanghai 200041, PRC
- Shenzhen Kingsway Financial Consultancy Limited
701, Tower A, Aerospace Skyscraper,
4019 Shennan Road, Futian District, Shenzhen,
518048, PRC

ULTIMATE HOLDING COMPANY

Sunwah International Limited

A listed company on the Toronto Stock Exchange

SUNWAH KINGSWAY
新華滙富

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新華滙富金融控股有限公司

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