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

5 years+ 商界展關懷 caringcompany®
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香港社會服務聯會頒發

Dedicated Services In Capital Markets For Over 20 Years

AFF 亞洲金融論壇 ASIAN FINANCIAL FORUM

ASIA: SHAPING THE NEXT GLOBAL LANDSCAPE

Annual Report 2013

Well-anchored Service Platform

We focus on where we excel. Our objective is to become the best local financial services provider in Hong Kong, creating value for local and international clients with passion and integrity.

CLIENT SERVICES					PROPRIETARY
CORPORATE FINANCE AND CAPITAL MARKETS		BROKERAGE		ASSET MANAGEMENT	PROPRIETARY INVESTMENTS
Financial Advisory	Merger and Acquisition	Equities Trading	Electronic Trading	Direct Investment Vehicles	Securities Investment
IPO Sponsor	Corporate Restructuring	Futures & Commodities Trading	Research	Discretionary Portfolio Management	Pre-IPO Investments
Equity Capital Markets		Margin Financing			

With 23 years in the capital markets, Sunwah Kingsway has expanded its reach into global securities markets including Hong Kong, China, North America, Europe and the rest of Asia. We have an extensive network of institutional investors and a successful track record of delivering a right mix of financial services to our clients globally.

Use of words including “Sunwah Kingsway”, “the Group”, or “We” in this Annual Report refer to Sunwah Kingsway Capital Holdings Limited and its subsidiaries.

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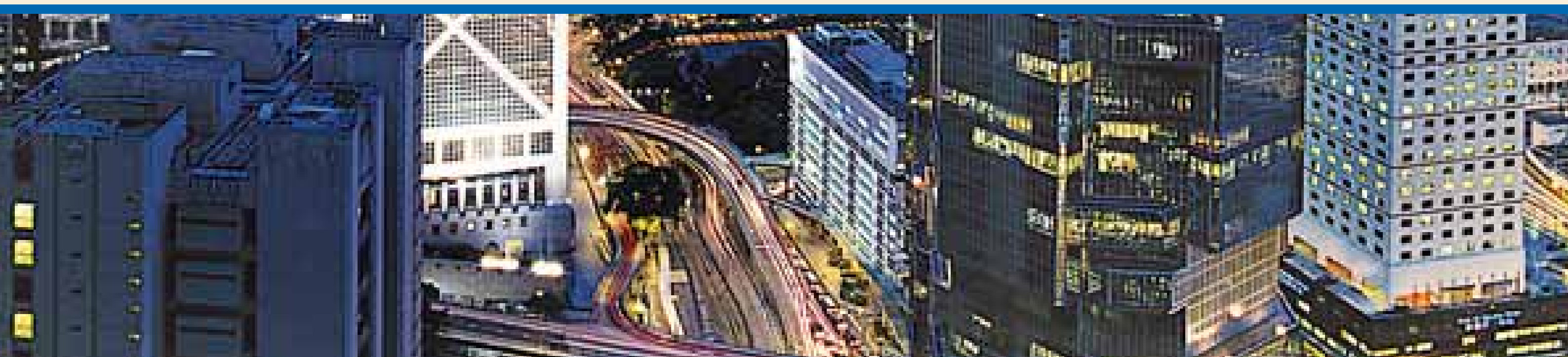
Sunwah Kingsway is committed to the core values of integrity, teamwork, respect, responsibility and the pursuit of excellence.

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.



Chief Executive's Statement

Dear Friends and Shareholders

On behalf of the Board of Directors, I present to you the annual report of Sunwah Kingsway Capital Holdings Limited for the financial year ended 30 June 2013 (the "Period").

This is the first full year operation in our new offices. Our dynamic team settled in quickly and we are able to establish a co-ordinated working approach though we are working in two separate offices.

We incurred a small loss during the Period. However, if we had included the net gain from our available for sale investments classified under other comprehensive income, we would have been able to achieve profitability in fiscal 2013.

The improvement of market sentiments during certain periods of the fiscal year brought temporary upsurges in market volumes. However, we continued to face a full fiscal year decline in both fund raising and secondary trading volumes in the Hong Kong capital market. Despite the effort of the enlarged client service teams, the weakness in revenue generated from financial intermediary activities continued and led to continued segmental losses in our financial intermediaries business. In addition, a number of new rules and regulations for the capital markets will be implemented in the current fiscal year. Management will review our strategy to address this new norm in the industry.

On the bright side, after a very difficult fiscal 2012, our proprietary investments returned to profitability during the Period. We have diversified our investment portfolio and adopted a multi-strategies approach to stabilise our return. Management will continue to manage our house investments to produce enhanced returns for our stake holders under the prudent risk management parameters set by the Board.

Looking into the future, the possible tapering of bond purchases by Federal Reserve from September, and the continued reforms and fine tuning of China economic policies are going to create uncertainties in the financial markets. It is likely that the markets will move sideways until a clearer economic trend emerges. Judging from the huge penalties or settlements paid by a number of financial institutions worldwide, regulatory and compliance risks management is also key to our core financial services delivery going forward. Financially, we have moved in the right direction in this fiscal year and we will work harder to bring better returns to our shareholders in the coming year.

Management has worked closely with the Board during this challenging year and we will continue to seek the guidance from our diversely composed Board. We continue to place high importance on getting and keeping the best staff for our Group and with a good mix of long serving staff and newly joined talent, we hope to bring in new business initiatives on our solid foundation. Let us continue with the improvements achieved and steer Sunwah Kingsway back into a profitable company.

Choi Koon Ming Michael
Chief Executive Officer

Management Discussion and Analysis

THE MARKET

As a major financial centre, Hong Kong continued to be affected by events happening around the world, especially the two major trading partners, China and the United States. Following the change of leadership, China began to fine tune its economic policies to achieve sustainable but slower growth. At the other end, the United States was successful in lowering its relatively high unemployment, which led to concerns that the quantitative easing policy may soon end. The treasury yield reached recent highs and led to high volatility in emerging markets fund flows and exchange rate fluctuations. The Hong Kong financial markets were affected by all these events with no clear trends emerging.

The Hang Seng Index closed at 20,803 at the end of June 2013, compared with 19,441 at the end of June 2012 and 22,657 at the end of December 2012. The average monthly turnover on the Main Board and GEM Board during the year ended 30 June 2013 ("FY2013") was approximately HK$1,209 billion, as compared to HK$1,261 billion for FY2012. The Hong Kong financing market continued to slow down in FY2013 and the funds raised from IPOs on the Main Board in FY2013 decreased by 15% to HK$97 billion, as compared to HK$114 billion in FY2012.

FINANCIAL HIGHLIGHTS

The Group recorded a loss of HK$2 million for FY2013, as compared to a loss of HK$119 million for FY2012. However, taking into account the other comprehensive income for the year, the Group achieved a total comprehensive income of HK$52 million, as compared to a total comprehensive expense of HK$120 million for the last fiscal year. Commission and fee income from our financial intermediary business decreased from HK$82 million for FY2012 to HK$66 million for FY2013 mainly due to the decrease in market activities. The corresponding commission expenses for capital markets also decreased by HK$8 million. The interest income decreased substantially due to the lower demand for margin loans resulting from the lower market turnover. The Group recorded a net gain on the disposal of financial assets/liabilities and the remeasurement to fair value of HK$19 million, as compared to a loss of HK$51 million for FY2012. The Group disposed of some available-for-sales investments and recognised fair value gains of HK$10 million in FY2013.

General and administrative expenses decreased by 20% to HK$100 million for FY2013. The decrease was mainly due to the drop in variable staff costs and the decrease in the recognition of equity-settled share-based payments. The rental expenses, expenses for the acquisition of office property and relocation of office decreased significantly in FY2013, however, the decrease was partially offset by the increase in depreciation charged on the self-owned property.

The finance cost increased to HK$3 million for FY2013 because of the mortgage loan for financing the acquisition of the office property in January 2012.

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$46.6 million for FY2013, compared to HK$60.8 million for FY2012. The market sentiment improved after the launching of the third round of quantitative easing in the United States in September 2012. However, the market made a substantial correction after the possible tapering was announced in the FOME meeting in June 2013. Brokerage commission income decreased by 17% compared with FY2012. The lower trading volume affected the demand of margin finances in the Hong Kong equity market. Interest income from margin and IPO financing decreased by 64% on a year-on-year basis to HK$3.6 million and the monthly average amounts due from margin clients decreased by 51% when compared with FY2012.

CORPORATE FINANCE AND CAPITAL MARKETS

Total revenue of the division was HK$25.5 million for FY2013, compared with HK$33.7 million for FY2012. The division served as placing agents in several equity placement deals and IPO-related transactions. The division also explored fundraising opportunities in other foreign markets and completed a placing transaction for a company's IPO on the AIM Board of The London Stock Exchange. In the meantime, the division focused on securing more advisory work and fee income from corporate finance increased by 24% to HK$19.4 million in FY2013.

ASSET MANAGEMENT

Total revenue of the division was HK$0.4 million for FY2013, compared with HK$0.7 million for FY2012. The division is looking for opportunities to set up small boutique funds for selected high net worth clients.

INVESTMENT IN SECURITIES

Total revenue of the division was HK$5.6 million for FY2013, compared with HK$9.2 million for FY2012. After including net gain/loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value, total income was HK$25 million for FY2013, compared with total negative income of HK$41.4 million for FY2012. The Hang Seng Index reached recent high of 23,945 in February 2013 from 19,033 in July 2012 and dropped to 20,803 at the end of June 2013. The division had captured the upward movement of the market and realised several investments in FY2013. As a result, the division recorded a net gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value of HK$19.3 million in FY2013.

The interest income from debt securities decreased by 21% to HK$3.4 million in FY2013 because the division changed the proportion of its debt securities portfolio and acquired more bonds with higher credit rating but lower yield.

The division recruited a new investment manager to manage a new trading portfolio to diversify the investment portfolio and stabilise the investment returns.

STRUCTURED INVESTMENT

The division did not recognise any revenue in FY2013, compared with HK$0.5 million for FY2012. The division disposed of some available-for-sales investments and recognised fair value gain of HK$10.1 million for FY2013. The increase in fair value of an investment fund was recognised in Other Comprehensive Income and no impairment loss was recognised in this year. The division is now looking for suitable investment opportunities to diversify the portfolio.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at end of June 2013 were HK$808 million, of which approximately 49% were current in nature. Net current assets were HK$260 million, accounting for approximately 45% of the net assets of the Group as at end of June 2013.

The Group generally finances its daily operations from internal resources. Total borrowing of approximately HK$154 million at the end of June 2013 comprised of the following:

- Secured bank loan of HK$103 million to partially finance the acquisition of office property;
- Unsecured short-term bank loan of HK$13 million to re-finance a customer's IPO subscription; and
- Unsecured short-term bank loans of HK$38 million to finance the daily operations and proprietary trading activities.

The Group's gearing ratio, calculated as a percentage of total borrowings over shareholder's equity, was approximately 27% at the end of June 2013. The short-term bank loan utilised for re-financing a customer's IPO subscription was repaid shortly after year end. The Group's gearing ratio decreased to 25% after excluding this IPO bank loan. The gearing ratio increased from 19% to 25% in FY2013 because of the expansion of the proprietary investments business.

The office property with carrying value of HK$265 million was pledged as security 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$. As part of our investment monitoring, financial assets denominated in foreign currencies, including equity and debt investments, are monitored on a daily basis together with the changes in market value of these investments. Hedging instruments may be used as part of the overall investment strategy if deemed necessary by the investment managers. The Group purchased properties in the PRC for its own use. Because of the steady appreciation of RMB against HK$ in the past few years, the Group believes that there is no need to hedge these assets denominated in RMB. Management will monitor the situation closely and introduce suitable hedging measures if there are any adverse changes. The Group does not have other material exposure to fluctuation in exchange rates and no hedging instruments are used.

EMPLOYMENT, TRAINING AND DEVELOPMENT POLICIES

As at 30 June 2013, the number of full time employees of the Group was 128 (2012: 135).

Remunerations and bonus are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal. It also takes into consideration the results of the division to which the employee belongs and the Group as a whole.

The Group provides a full induction program and in-house training courses to all staff – particularly professionals registered with relevant regulatory bodies who must meet their mandatory continued professional training requirements.

A share option scheme is available to directors, employees and consultants of the Group. Details of the scheme are set out in the section "Share options" of the Report of the Directors.

CORPORATE GOVERNANCE

The Group is committed to conducting our business ethically and in a way that is transparent, accountable to shareholders and the community, and under the governance of an effective board.

As a listed company mainly engaged in regulated businesses, we believe our corporate governance practices are appropriately rigorous and of high standard. The Group reviews its practices on a regular basis to ensure that any new developments in the industry best practices are reviewed and considered by the Group.

As in previous years, a separate and detailed statement on our corporate governance practices is included under the heading "Corporate Governance Report".

COMMUNITY

In line with our philosophy of being a responsible corporate citizen, the Group participated in various social services activities. Please refer to our Social Responsibility Report for further details.

Social Responsibility Report

Our Employees

Employees are the most valuable asset of the Group. They are one of the core contributors to the Group's success. The Group aims at providing our employees a workplace which nurtures their career development and demonstrating their full potential by various means like career advancement opportunities, job diversification and open dialogue. We encourage people to talk openly with their supervisors or even senior management. We believe that a culture of openness encourages people taking initiative in their work. We have committed to make the work environment an attractive place to work.

Throughout the year the Human Resources Department had organised various activities including the Group's annual dinner, quarterly tea parties, charity walk and other activities in order to enhance our employees' sense of belonging and strengthen staff relationship. These activities and events gave the employees the opportunity to get acquainted with new staff members and converse among different departments in a relaxing atmosphere. Family members of staff were invited to participate in some activities.

As the Group's main business consists of activities licensed by the SFC, the Group provides free professional training for its SFC licensed staff. These educational seminars not only assist them in fulfilling their Continuing Professional Training requirements and to expand their knowledge and understanding of different investment products, but also facilitate our people with up-to-date market information about the industry.

Community, Charity and Public Welfare

At Sunwah Kingsway, we are well aware of our corporate citizenship. We fully recognise that our responsibility are beyond our clients and shareholders; we endeavour to make contributions to the community in which we operate. We continue to support the underprivileged and those in need as well as contribute to the cultural development of the community. This year we supported various organisations by participating in the following events.

Wu Zhi Qiao (Bridge to China)

The development of remote villages in rural China is lagging far behind the cities with high economic growth. Wu Zhi Qiao (Bridge to China) Charitable Foundation aims to improve the lives of numerous villagers in remote areas by inviting teams of Hong Kong students and volunteers to build eco-friendly footbridges in those areas. This year senior management and staff participated again in the Wu Zhi Qiao Charity Walk at Tai Tam's Waterworks Heritage Trail. The donations raised in this event were used to support the operations and development of the foundation.

World Vision-Skip-A-Meal

For the seventh year, we participated in the "Skip-A-Meal" program organised by our long term partner, World Vision Hong Kong, to help fight worldwide hunger and poverty. Our employees enthusiastically participate in the program by skipping lunch and donating the cost of that meal to World Vision.

Hong Kong Chinese Orchestra

With over 4000 years of history, China is one of the world's oldest civilizations. Chinese music carries rich history heritage of China. This year we acted as the Gold Sponsor of the concert "A Pulsing Musical Heritage" which was a fund-raising concert for the "Music for Love" Scheme of The Hong Kong Chinese Orchestra ("HKCO"). HKCO founded in 1997 is the only full-sized Chinese orchestra with 85 musicians in Hong Kong. Its mission is to promote Chinese music to different sectors of the community as well as worldwide. Apart from regular and outreach concerts organised each year, HKCO has organised mass activities like Hong Kong Drum Festival and students are invited to participate in certain programmes.

HKCO has been giving performances in schools in order to promote Chinese music to the new generation of the community.

Corporate Governance Report

Code on Corporate Governance Practices

The Company is committed to sound corporate governance practices designed to promote greater transparency, investor confidence and the ongoing development of the Group, having always as its ultimate objective, the best long term interest of the Group and the enhancement of value for all shareholders. The Company also believes that sound corporate governance practices benefit the Group's employees and the community in which the Group operates. This report summarises how the principles of the Corporate Governance Code and Corporate Governance Report (the "CG Code") have been applied in respect of the year ended 30 June 2013.

The Company has applied the principles and has complied with the code provisions of CG Code as set out in Appendix 14 of the Rules Governing the Listing Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 30 June 2013 except for the deviation which is summarised below:

CG CODE PROVISION A.4

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.

Business Model and Strategy

The Group is committed to its 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 action in every area of our business. We strive to become the best local brokerage and capital markets service provider concentrating on the mid to small cap market. Our focus will be on customer relationship and services and we will seek to capitalise on growing opportunities resulting from China's development and emergence as one of the world's major economies. A discussion and analysis of the Group's performance for this fiscal year are set out on page 3 under Management Discussion and Analysis.

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 year under review and they have all confirmed that they have complied with the required standard set out in the Model Code.

The Board of Directors

BOARD COMPOSITION

The Board currently comprises eight directors and the composition is set out as follows:

Jonathan Koon Shum Choi	*Chairman*
Mary Yuk Sin Lam	*Deputy Chairman & Executive Director*
Michael Koon Ming Choi	*Chief Executive Officer & Executive Director*
Janice Wing Kum Kwan	*Non-Executive Director*
Lee G. Lam	*Non-Executive Director*
Robert Tsai To Sze	*Independent Non-Executive Director*
Stanley Kam Chuen Ko	*Independent Non-Executive Director*
Elizabeth Law	*Independent Non-Executive Director*

The brief biographical details of the directors, including financial, business, family or other material or relevant relationships among members of the board, are set out in the "Biographical Details of Directors and Senior Management" section on pages 18 to 20.

BOARD RESPONSIBILITY

There is a clear division of responsibilities between the Board and management. The Board is responsible for providing high-level guidance and effective oversight of the Group's executive directors and senior management. Generally speaking, the Board is responsible for:

- Formulating the Group's long term strategy and monitoring the implementation thereof;
- Approval of dividends;
- Reviewing and approving the interim and annual reports;
- Ensuring good corporate governance and compliance;
- Monitoring the performance of the management; and
- Reviewing and approving any material acquisition and disposal of assets and other material/notifiable transactions.

The Board has delegated the authority and responsibility for implementing the day to day business operations, strategies and management of the Group's business to the executive directors and senior management. The Board authorises the management to carry out the strategies that have been approved. The non-executive directors (a majority of whom are independent) provide the Group with a wide range of expertise and experience.

BOARD MEETINGS

The Board meets at least four times a year and additional meetings are convened as and when the Board considers necessary. During the year, four board meetings were held and the principal businesses transacted included approving interim and final results and reports, assessing business performance and implementation and considering major, connected and notifiable transactions. The attendance record of each director at the meetings of the Board, annual general meeting, Audit Committee, Compensation Committee, Nomination Committee and Corporate Governance Committee of the Company during the year ended 30 June 2013 are set out as follows:

	Meetings attended/eligible to attended					
			Committees			
Board Directors	**Board**	**AGM**	**Audit**	**Compensation**	**Nomination**	**Corporate Governance**
Chairman						
Jonathan Koon Shum Choi	3/4	1/1	N/A	0/1	1/1	N/A
Executive Directors						
Mary Yuk Sin Lam	4/4	1/1	N/A	1/1	1/1	N/A
Michael Koon Ming Choi	4/4	1/1	N/A	N/A	N/A	N/A
Non-executive Directors						
Janice Wing Kum Kwan	4/4	0/1*	N/A	N/A	N/A	1/1
Lee G. Lam *(Note 3)*	3/4	1/1	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Robert Tsai To Sze *(Note 1)*	3/4	1/1	2/2	1/1	1/1	N/A
Stanley Kam Chuen Ko *(Note 2)*	4/4	1/1	2/2	1/1	1/1	1/1
Elizabeth Law	4/4	1/1	2/2	1/1	1/1	N/A
Total number of meetings held	4	1	2	1	1	1

* Ms Kwan could not attend the AGM of the Company held on 21 November 2012 due to a prior business engagement.

Notes:

1. Chairman of the Audit Committee.
2. Chairman of Compensation and Nomination Committees
3. Chairman of Corporate Governance Committee

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Company has complied with Rules 3.10(1) and (2) and Rule 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, one independent non-executive directors of which has the appropriate professional qualifications or accounting or related finance management expertise and the independent non-executive directors represent at least one-third of the Board. Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors have met independence guidelines set out in Rule 3.13 of the Listing Rules. The Nomination Committee reviews and assesses the independence of the three Independent Non-Executive Directors of the Company on an annual basis. Particular consideration was applied to Mr Robert Tsai To Sze who has served the Board for over 12 years. The Nomination Committee determined the Independent Non-Executive Directors, including Mr Sze, were qualified and independent and met the requirements for independence as set out in the Listing Rules.

TRAINING AND DEVELOPMENT

The Company places great importance on directors training and from time to time advises the directors on various subjects including, Listing Rules compliance, updates to the Listing Rules, SFC rules and regulations, enforcement actions taken by the SFC and Stock Exchange and how the rules and regulations impact the Company's business and corporate governance. The Company also provides CPT training to licensed staff (including directors), regular updates of legislative and regulatory changes and encourages directors to attend relevant training courses at the Company's expense.

All newly appointed Directors are provided with a Directors Manual which summarises: the directors duties and responsibilities as a director of a company listed on the Stock Exchange (including connected and notifiable transaction); disclosure of interest in securities of the Company and the Model Code for Securities Transactions by a Director of Listed Issuers as set out in Appendix 10 of the Listing Rules.

All Directors have participated in continuous professional development in the year under review to develop their knowledge and skills so that their contribution to the Board will be informed and relevant. The Company has received confirmation from all the Directors of their respective training record for the year ended 30 June 2013.

Participation in continuous professional development activities

	Attending briefings/seminars/ conference/forums relevant to business or Directors' duties	Reading regulatory updates, journals/articles/materials, etc.
Chairman		
Jonathan Koon Shum Choi	√	√
Executive Directors		
Mary Yuk Sin Lam	√	√
Michael Koon Ming Choi	√	√
Non-executive Directors		
Janice Wing Kum Kwan	√	√
Lee G. Lam	√	√
Independent Non-executive Directors		
Robert Tsai To Sze	√	√
Stanley Kam Chuen Ko	√	√
Elizabeth Law	√	√

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company separates the role of the Chairman and the Chief Executive Officer. Currently, Dr Jonathan Koon Shum Choi serves as the Chairman of the Board and Mr Michael Koon Ming Choi, the brother of Dr Choi, serves as the Chief Executive Officer. The responsibilities of the Chairman and the Chief Executive Officer are clearly segregated and there is a clear division of responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

The Chairman is responsible for the leadership of the Board. He ensures that the board works effectively and performs its responsibilities and that all material issues of the Company are discussed in a timely manner. The Chairman is also responsible for ensuring that all directors are properly briefed on issues arising at Board meetings, receive adequate and reliable information in a timely manner and encourages all directors to make a full and active contribution to the Board. The Chairman leads the Board to establish good corporate governance policies and procedures for the Group as a whole. During Board meetings, the Chairman encourages directors with different views to voice their concerns and allows for sufficient time to discuss Board matters.

The Chief Executive Officer is responsible for the conduct of the Group's business, day-to-day operation, and implementing the Group's strategy with respect to the achievement of its business objectives with the assistance of the executive directors and senior management. He also oversees the Group's compliance and internal control matters.

RE-ELECTION OF DIRECTORS

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.

In accordance with clauses 87(1) and (2) of the Company's Bye-Laws, Mr Michael Koon Ming Choi, Ms Janice Wing Kum Kwan and Ms Mary Yuk Sin Lam will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Board Committees

As an integral part of good corporate governance, the Board has established the following committees whose authority, functions, compositions and duties are set out below:

(1) AUDIT COMMITTEE

The Audit Committee has been established since 2000. During the year under review, it was comprised of three independent non-executive directors representing at least one-third of the Board in compliance with Rule 3.10A. The Audit Committee was chaired by an independent non-executive director, and at least one of the independent non-executive directors had the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, all in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee's terms of reference includes those specific duties as set out in the code provision C.3.3 of the CG Code. Pursuant to its terms of reference, the Audit Committee is required, amongst other things, to consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve their remuneration, to review the interim and annual financial statements, to review the Group's financial controls, internal controls and risk management system and to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response. The Audit Committee should meet at least twice each year and when the need arises.

The terms of reference have been included on the Stock Exchange's website and the Company's website in compliance with provision C.3.4 of the CG Code.

During the year ended 30 June 2013, two committee meetings were held, one to consider the annual results of the Group for the financial year ended 30 June 2012, including the discussion of the Company's connected transactions and the discussion of the Company's internal controls report and one to consider the interim results of the Group for the six months ended 31 December 2012. The attendance record of each member during the year is set out in the section headed "Board Meetings" of this report.

(2) COMPENSATION COMMITTEE

Pursuant to Rule 3.25 of the Listing Rules, the Company must establish a remuneration committee, chaired by an independent non-executive director and comprising a majority of independent non-executive directors. During the year under review, the Compensation Committee consisted of the Chairman and Deputy Chairman of the Board and three independent non-executive directors.

The Compensation Committee's terms of reference includes those specific duties as set out in the code provision B.1.2 of the CG Code. Pursuant to its terms of reference, the Compensation Committee is required, amongst other things, to review and recommend to the Board the compensation packages of the executive directors and senior management, to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and to ensure that no director is involved in deciding his/her own remuneration. The Compensation Committee should meet at least once a year and when the need arises.

The terms of reference of Compensation Committee have been included on the Stock Exchange's website and the Company's website in compliance with provision B.1.3 of the CG Code.

During the year ended 30 June 2013, there was one committee meeting held to review the remuneration packages of the executive directors and senior management and there was one written resolution to reduce the remunerate package of some of the Directors. The Committee determined, with delegated responsibility, the compensation packages of individual executive directors and senior management. The attendance record of each member is set out in the section headed "Board Meetings" of this report.

(3) NOMINATION COMMITTEE

Pursuant to the code provision A.5.1 of the CG Code, the Company should establish a Nomination Committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. During the year under review, the Nomination Committee was comprised of three Independent non-executive directors, the Chairman and the Deputy Chairman of the Board. It was chaired by an independent non-executive director.

The Nomination Committee's terms of reference includes those specific duties as set out in the code provision A.5.2 of the CG Code. Pursuant to its terms of reference, the Nomination Committee is required, amongst other things, to review the structure, size and composition of the Board and make recommendations on proposed changes to the Board as necessary, to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of independent non-executive directors, and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and the Chief Executive Officer. The Nomination Committee should meet at least once a year and when the need arises.

The terms of reference of Nomination Committee have been included on the Stock Exchange's website and the Company's website in compliance with provision A.5.3 of the CG Code.

The Nomination Committee is responsible for identifying, recruiting and evaluating new nominees to the Board and the assessment of the qualifications of the directors, including the assessment of the independence of the independent non-executive directors. The criteria adopted to select and recommend candidates for directorship includes the candidate's experience, professional knowledge, integrity, time commitment and other statutory or regulatory requirements.

The Nomination Committee held one meeting during the year under review to review the structure, size and composition of the Board, make recommendations to the Board regarding the re-appointment of directors and to review and assess the independence of the independent non-executive directors. The attendance record of each member is set out in the section headed "Board Meetings" of this report.

(4) CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee has been established since 2005. During the year under review, the committee was chaired by a non-executive director and it consisted of one independent non-executive director and two non-executive directors. The committee is responsible for reviewing and further developing the Group's corporate governance policies and principles and the implementation thereof. The Corporate Governance Committee meets once a year and when the need arises.

The Corporate Governance Committee's terms of reference which sets out the specific duties of the Committee in compliance with CG Code provision D.3.1 have been included on the Company's website.

During the year ended 30 June 2013, the Corporate Governance Committee held one meeting to review the Company's corporate governance practices and to review the internal controls report. The attendance record of each member is set out in the section headed "Board Meetings" of this report.

OTHER COMMITTEES

Committees for Risk Management Control

The Group views the management of risk as integral to the Group's goal to achieve and maintain profitability. As mentioned before in recognition of the increasingly varied, complex and global nature of the financial services business, we continue to believe that risk management must be handled internally, but independently of the Group's core business activities. This is to protect the interest of all stakeholders and to manage our professional and legal obligations.

The Group's principle in relation to risk management is that where risk is assumed, it is within a calculated and controlled framework with continuous assessment and reporting. The process is multi-faceted covering market risk, credit risk, concentration risk and systems failure risk.

In order to monitor specific risks, an Investment Committee, an Investment Monitoring Committee, a Credit Committee and a Finance Committee were established with the objectives of identifying risks, continuously assessing, quantifying and managing risk, setting prudent credit limits and introducing regular reporting to senior management. With the assistance of the committees, the Board determines the overall risk management policies for the Group.

(a) Investment Committee

The Board has established the Investment Committee to manage the Group's investments and financial commitments. The Investment Committee (i) reviews and proposes to the Board for approval of the investment policies and guidelines, including policies and guidelines regarding asset class, asset allocation ranges, prohibited investments, and proposes proprietary investment limits for the committee and the Group's Chief Investment Manager; (ii) reviews and approves the proposed proprietary investments which are above the investment limits set on the Chief Investment Manager; and (iii) reviews the investment performance of the various investment decisions made by the Chief Investment Manager.

The committee consists of the Chief Investment Manager and one executive director. The committee meets as required.

(b) Investment Monitoring Committee

In order to monitor the Group's proprietary trading activities, the Board has established an Investment Monitoring Committee to oversee these activities. Within parameters set by the Board, the committee monitors the policies and the maximum limits for the Group's proprietary trading, financial commitments and investment activities.

The committee currently consists of the Chief Administrative Officer ("CAO"), who acts as the Chairman, the Head of Operations and the Assistant Financial Controller. The committee meets regularly and reports to the Board on a quarterly basis.

(c) Credit Committee

The role of the Credit Committee is to establish the procedures and guidelines for granting credit to the Group's brokerage clients, assessing credit risk and setting credit limits.

The committee currently consists of, among others, an executive director, two SFO Responsible Officers, the Chief Financial Officer ("CFO"), the CAO and the Head of Operations. The committee usually meets once a month.

(d) Finance Committee

The role of the Finance Committee is to minimise the Group's exposure to the credit risk arising from the Group's general loan financing operations and to set out the internal policies and guidelines under which loans are to be assessed and properly authorised.

The committee consists of the CEO and the CFO. The committee meets when the need arises.

Company Secretary

The Company Secretary is Mr Vincent Wai Shun Lai and he has been delegated the responsibility of ensuring the board works effectively and performs its responsibilities, drawing up the agenda for each board and general meeting and facilitating communication between Board members, Shareholders and management. The biographical details of the Company Secretary, including his qualifications, are set out in the "Biographical Details of Directors and Senior Management" section on page 20. During the financial year, the Company Secretary has undertaken over 15 hours of professional training to update his professional knowledge to assist him in the performance of his duties.

Accountability and Audit

FINANCIAL REPORTING

The Board acknowledges that it is its responsibility to prepare financial statements of the Company for each financial period which give a true and fair view of the state of affairs of the Company and ensure that financial statements are prepared in accordance with statutory and regulatory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements of the Company.

The statement of the auditors of the Company about their reporting responsibilities on the financial statement of the Company is set out in the "Independent Auditor's Report" section of this annual report.

The Board confirms that, to the best of its knowledge and, having made appropriate enquiries, it considers that the Company has adequate resources to continue in operational existence for the foreseeable future and has prepared the financial statements on a going concern basis accordingly. Despite the removal of the requirement of a designated qualified accountant in the Listing Rules effective 1 January 2009, the Board continues to maintain the services of a team of suitably qualified accountants to oversee the Group's financial reports and other accounting related matters.

INTERNAL CONTROLS

The Board recognises that constant changes taking place in the business environment call for periodic reviews of the system of internal controls. Well-managed internal controls enable effective and efficient operations, ensure the reliability of internal and external reporting and assist in the compliance with applicable laws and regulations.

The Board recognises that it has overall responsibility for the Group's system of internal controls and for reviewing its effectiveness. Pursuant to the Group's framework, senior management is primarily responsible for designing and implementing the policies and procedures of internal controls, while the Board and the Audit Committee oversee the actions of senior management and monitor the effectiveness of the controls previously established.

The Company's internal audit function is performed by the Legal and Compliance Department ("L&C"), which reports to the Company Secretary. L&C has unrestricted access to review all aspects of the Group's business activities. The Company Secretary reports directly to the Chief Executive Officer and the Chairman and has direct access to the Chairman of the Audit Committee. The tasks of L&C in respect of its internal audit functions include, (i) review and report on internal and operational controls, (ii) follow-up on the suggestions made by external auditors, (iii) ongoing monitoring and reviews on different operating cycles in the financial and brokerage industry, and (iv) special review of areas of concern identified by senior management. Throughout the financial year, L&C continually monitors various operational aspects of the Group's business activities and issues monthly compliance reports to senior management covering those activities.

All staff, including all executive directors, are subject to the provisions set out in the Company's Staff Handbook and Compliance Manual (collectively, the "Company Manuals"). The Company Manuals clearly set out the policies and procedures which apply to the Group's businesses and places staff under specific obligations as to duty, ethics, integrity and principles under which our businesses operate. Each core business division has its own operating manual which specifically outlines the respective division's operating procedures. Failure to comply with the policies and procedures as set out in the Company Manuals and/or the division operating manuals may result in disciplinary action, including dismissal from employment.

As previously noted, the Board has established the Investment Committee and the Investment Monitoring Committee to manage and monitor the Group's investments and financial commitments. Senior management, including two executive directors, the CFO and the Company Secretary meet on a monthly basis to review detailed financial accounts of each material business division.

CORPORATE GOVERNANCE REPORT

The Company Secretary reviews and monitors the effectiveness of the Group's internal controls and reports its findings to the Audit Committee. However, internal controls can only provide reasonable, but not absolute, assurance against errors or deliberate attempts to defraud the Company. The Audit Committee reviews the findings and opinions of the Company Secretary and holds discussions with the auditors in relation to the audit of the Group's financial statements and reports to the Board on such review. The Board has, through L&C and the Audit Committee, conducted a review of the effectiveness of material aspects of the Group's internal control system. Improvements to the system of internal controls have been identified and appropriate measures have been taken. Taking into the consideration of the review of the Audit Committee, the Board considered that there were no material weaknesses in the Group's internal control system that should be brought to the shareholders' attention.

EXTERNAL AUDITORS

During the financial year and up to the date of this report, fees for auditing services and non-auditing services (including interim review and report of agreed-upon procedures on on-going connected transactions) provided by the existing external auditor, Deloitte Touche Tohmatsu, for the year ended 30 June 2013 are HK$1,360,000 and HK$400,000 respectively.

Risk Management

The Group's business, financial conditions and results of operations may be affected by risks and uncertainties pertaining to the Group's business. The factors explained below could cause the Group's financial condition or results of operations to differ materially from expected or historical results. There may be other risks in addition to those mentioned below that are unknown to the Group, or which may not be material now but could be material in the future.

OPERATIONAL RISK AND INTEREST RATE RISK

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 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.

MARKET RISK

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 result of operations. When the price of securities (listed or unlisted) decrease, it will adversely affect the value of our investment portfolio.

CREDIT RISK

Credit risk arises from a number of areas. These include the possibility that a counter-party 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 Committee and Credit Committee are responsible for establishing 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 Securities and Futures Commission ("SFC").

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 counter-parties. The Finance Committee and Credit Committee are responsible for review of guidelines on credit limits on a regular basis and approval of specific loans or advances if the amount exceeds our pre-set guideline.

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to the Group's financial conditions and results of operations arising from movements of foreign exchange rates. The Group's foreign exchange risk primarily arises from currency exposures originating from its proprietary investments. Foreign exchange rates fluctuate in reaction to the macro-economic performances of different countries and fund flows between countries arising from trade or capital movements.

IMPACT OF NEW LEGISLATION

The introduction of new legislation and rules by the Stock Exchange, SFC 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.

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 L&C together with 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.

Communication with Shareholders and Investor Relations

The Board recognises the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The general meetings of the Company provide a forum for exchange of views between the shareholders and the Board. The Chairman of the Board, the directors and senior management of the Company and where applicable, the independent non-executive directors, are available to answer questions at the shareholders' meeting.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. Poll voting was adopted for all decisions to be made at all general meetings, in compliance with the 2009 amendments to the Listing Rules. Details of the poll voting procedures are included in all circulars to shareholders which call for a general meeting and are explained during the proceedings of the meeting.

The Company continues to enhance communications and relationships with its shareholders. Enquiries from shareholders are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.sunwahkingsway.com, where information and updates on the Group's business developments and operations and other information are posted, including all the regulatory announcements relating to the Company and the poll results on the business day following the shareholders' meeting.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to the Company's Bye-laws and Section 74 of the Bermuda Companies Act 1981 (the "Act"), Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting ("SGM") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purpose of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists and deposited at the registered office of the Company or its head office in Hong Kong at 7th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, SAR, Attn: the Company Secretary, and may consists of several documents in like form each signed by one or more requisitionists.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves, or any of them representing more than one half of the total voting rights of all such requisitionists may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of such requisition. A SGM convened by the requistionists shall be convened in the same manner, as nearly possible, as that in which meetings are to be convened by the Board. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly convene a SGM shall be repaid to requisitionists by the Company.

SHAREHOLDERS' RIGHT TO PROPOSE RESOLUTIONS AT GENERAL MEETING

Pursuant to Sections 79 and 80 of the Act, certain Shareholder(s) are allowed to requisition the Company to move a resolution at an annual general meeting ("AGM") of the Company or circulate a statement at any general meeting of the Company. Under Section 79 of the Bermuda Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders as set out in paragraph c and d below:–

(a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:–

(c) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(d) not less than one hundred Shareholders.

Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meeting of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

Section 80 of the Act sets out the conditions to be met before the Company is bound to give any notice of resolution or to circulate any statement. Pursuant to Section 80 of the Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned above unless:–

(e) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company:–

  (i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

  (ii) in the case of any other requisition, not less than one week before the meeting; and

  (iii) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in the paragraph above (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the abovementioned time shall be deemed to have been properly deposited for the purposes thereof.

Communication with the Board of Directors

Shareholders are encouraged to maintain direct communication with the Board of Directors. Shareholders who have any questions for the Board may send their enquires by email, fax or letter to the attention of the Company Secretary at 7th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, SAR. Email Address: vincent.lai@sunwahkingsway.com. Fax No. 852 2530-5233.

Biographical Details of Directors and Senior Management

CHAIRMAN

Dr. Jonathan Koon Shum Choi, BBS, JP, aged 56, is the Chairman of the Group. He has been responsible for the overall strategic planning of the Group since 1995. Dr. Choi is also the Chairman of Sunwah International Limited, the parent company of the Company and a substantial shareholder of the Company pursuant to Part XV of the Securities and Futures Ordinance ("SFO"). Concurrently Dr. Choi is the Chairman of the Sunwah Group.

Dr. Choi is the Deputy Director, Committee for Education, Science, Culture, Health and Sports of the National Committee of Chinese People's Political Consultative Conference ("CPPCC"), PRC. In addition to being a Member of the National Committee of the CPPCC, PRC, Dr. Choi also holds a number of public positions, which include the Permanent Honorary President of the Chinese General Chamber of Commerce in Hong Kong, an Economic Advisor to the President of the Chinese Academy of Sciences, PRC, a Council Member of the Hong Kong Trade Development Council, a Council Member of the Economic Development Commission of HKSAR, the Chairman of the Hong Kong-Japan Business Co-operation Committee, the Chairman of the Hong Kong-Vietnam Chamber of Commerce, and the Chairman of the China-India Software Association. Dr. Choi is a Court/ Council Member of a number of universities including United College of the Chinese University of Hong Kong, the Hong Kong University of Science and Technology, the Hong Kong Polytechnic University, the Fudan University and the Nanjing University. Dr. Choi is an Independent Non-Executive Director of Hui Xian Asset Management Limited, the Manager of HK-listed Hui Xian Real Estate Investment Trust. Dr. Choi has over 30 years of experience in the food industry, real estate development and international trade, and over 15 years of experience in the technology and finance related business.

Dr. Choi is the spouse of Ms Janice Wing Kum Kwan and elder brother of Mr Michael Koon Ming Choi.

EXECUTIVE DIRECTOR

Ms Mary Yuk Sin Lam, aged 59, was re-appointed as an Executive Director and appointed as Deputy Chairman of the Company in April 2006. Ms Lam is also a director of two subsidiaries of the Group. Prior to her appointments, Ms Lam was the Group Managing Director-Brokerage of Kingsway Financial Services Group Limited ("KFSGL"). Currently Ms Lam is a Securities and Futures Commission ("SFC") licensed representative of KFSGL. Ms Lam joined the Group in 1995. She has over 26 years of experience in securities dealing with various securities houses. Ms Lam is also a member of the Hong Kong Securities Institute.

Mr Michael Koon Ming Choi, aged 45, is the Chief Executive Officer and an Executive Director of the Company. He also is director of several subsidiaries of the Group. Mr Choi joined the Group in 1995. Mr Choi has over 18 years of experience in the financing activities of corporate and property mortgage, real estate development and property investment. Mr Choi is a director of Sunwah International Limited, the parent company of the Company and a substantial shareholder of the Company pursuant to Part XV of the SFO.

Mr Choi is the brother of Dr. Jonathan Koon Shum Choi and brother-in-law of Ms Janice Wing Kum Kwan.

NON-EXECUTIVE DIRECTOR

Ms Janice Wing Kum Kwan, Medal of Honour, aged 56, was appointed as Non-Executive Director of the Company with effect from 1 February 2011. Ms Kwan holds a bachelor degree of Law and Postgraduate Certificate in Laws awarded by the University of Hong Kong. She was admitted as a solicitor in Hong Kong in 1982 and has been in private practice since then. She also worked as an in-house lawyer heading the legal department of an international bank and a listed company respectively during the period from 1986 to1990. Currently she is a consultant to Kwan & Chow Solicitors. Ms Kwan was also qualified as a solicitor in England and Wales, as an advocate in Singapore and as a barrister & solicitor in Victoria, Australia. She has been a China Attesting Officer appointed by the PRC government since 1993. She is specialized and experienced in intellectual property protection, transactions and litigation and has extensive experience in commercial, banking and conveyancing as well. She was the President of the Hong Kong Federation of Women Lawyers and is a Council member of the Federation till now.

Ms Kwan is a member of the Tianjin Committee of the Chinese People's Political Consultative Conference. She has been appointed by the HKSAR Government to sit on various boards and panels including Committee on the Basic Law Promotion Steering Committee, Promotion of Civic Education, Board of Review (Inland Revenue Ordinance), Committee on Employment Services of the Labour Department and Employee's Compensation Insurance Levies Management Board. She is the spouse of Dr. Jonathan Koon Shum Choi and sister-in-law of Mr Michael Koon Ming Choi.

Dr. Lee G. Lam, aged 54, was appointed as a Non-Executive Director of the Company on 1 February 2007. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the U.K., a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a Master of Law from the University of Wolverhampton in the U.K., and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has international experience in general management, management consulting, corporate governance, investment banking and fund management across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates and financial services sectors. Dr. Lam is Chairman – Indochina, Myanmar and Thailand (and formerly Chairman – Hong Kong), and Senior Adviser – Asia, of Macquarie Capital. He is also an independent director of Sunwah International Limited, the parent company of the Company and a Substantial Shareholder of the Company pursuant to Part XV of the SFO. Actively participating in community service, Dr. Lam has served as a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms and as a member of the Legal Aid Services Council of Hong Kong, and is a member of the Jilin Province Committee (and formerly a specially-invited member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference (CPPCC), a member of the New Business Committee of the Financial Services Development Council (FSDC), a member of the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx), a member of the Hong Kong Institute of Bankers, a board member of the East-West Center Foundation, a member of the World Presidents' Organization (WPO) and the Chief Executives Organization (CEO), a fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators, an accredited mediator of the Centre for Effective Dispute Resolution (CEDR), a member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a vice president of the Hong Kong Real Property Federation, a founding board member and the Honorary Treasurer of the Hong Kong-Vietnam Chamber of Commerce, a board member of the Australian Chamber of Commerce in Hong Kong and Macau, chairman of Monte Jade Science and Technology Association of Hong Kong, and a visiting professor (in the subjects of corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Robert Tsai To Sze, aged 72, was appointed as an Independent Non-Executive Director in 2000. Mr Sze had worked in Price Waterhouse (now known as PricewaterhouseCoopers) Hong Kong for 25 years where he had been a partner for over 22 years. Mr Sze is a fellow member of The Institute of Chartered Accountants in England & Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is an independent non-executive director of a number of Hong Kong listed companies which are China Travel International Investment Hong Kong Limited, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Hop Hing Group Holdings Limited, Min Xin Holdings Limited, QPL International Holdings Limited and Nanyang Holdings Limited.

Mr Stanley Kam Chuen Ko, aged 67, was appointed as an Independent Non-Executive Director in September 2004. Mr. Ko has extensive experience and network in both Hong Kong and the PRC and he also serves actively in the Hong Kong community including being an Executive Committee Member of the Hong Kong Coalition of Service Industries where he was the former Chairman, a Director of The Link Management Limited and China National Aviation Corporation (Group) Ltd. Mr. Ko is the Chairman of LARK International Group Limited and Jardine Airport Services Ltd.

Ms Elizabeth Law, MH, JP, aged 59, was appointed an Independent Non-Executive Director in November 2011. Ms Law is the Managing Director of Law & Partners CPA Limited and Proprietor of Stephen Law & Company. She is a Chartered Professional Accountant, Chartered Accountant of Canada, a fellow practising member of the Hong Kong Institute of Certified Public Accountants as well as a member of Chinese People's Political Consultative Conference Guangdong Committee. Among other high profile memberships, Ms Law is a member of HKSAR Small and Medium Enterprises Committee of Trade and Industry Department, Employees Compensation Assistance Fund Board, Environment and Conservation Fund Investment Committee, Beat Drugs Fund Association Governing Committee, Inland Revenue Department's Users' Committee and Process Review Panel for the Financial Reporting Council. Besides, Ms Law is the Chairman of The Hong Kong Employment Development Service Limited.

Ms Law is an independent non-executive director of Sunwah International Limited (the parent company of the Company and a substantial shareholder of the Company pursuant to Part XV of the SFO) and China Vanke Co., Ltd. (which is listed on the Shenzhen Stock Exchange).

CHIEF FINANCIAL OFFICER

Mr Eric Kwok Keung Chan, aged 50, was appointed as Chief Financial Officer (CFO) in April 2004. Mr Chan is responsible for overseeing the Group's financial operations. Mr Chan is also the CFO of Sunwah International Limited, the parent company of the Company and a substantial shareholder of the Company pursuant to Part XV of the SFO, and director of several subsidiaries of the Company. Mr Chan is a fellow of the Association of Chartered Certified Accountants (UK) and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr Chan is also a member of the Hong Kong Securities Institute and a Certified International Investment Analyst. Mr Chan offers significant assurance and business advisory experience gained from working with the Hong Kong and Boston offices of PricewaterhouseCoopers for 14 years. Mr Chan joined the Group from his responsibilities as CFO and Company Secretary of a Hong Kong listed company with operations in nine countries and annual turnover of over HK$6 billion.

CHIEF ADMINISTRATIVE OFFICER AND COMPANY SECRETARY

Mr Vincent Wai Shun Lai, aged 52, was appointed as the Company Secretary in November 2004. Mr Lai is also the Chief Administrative Officer of the Company, director of several subsidiaries of the Company and the Company Secretary of Sunwah International Limited, the parent company of the Company and a substantial shareholder of the Company pursuant to Part XV of the SFO. Mr Lai is a qualified solicitor of the High Court of the Hong Kong Special Administrative Region and an Attorney at Law of the State of New York, USA. Immediately prior to joining the Company, Mr Lai worked in an international law firm that specializes in corporate finance, where he focused on listing and compliance matters involving various stock exchanges and regulators. Mr Lai holds a Juris Doctor degree from Union University-Albany Law School and a Bachelor of Science degree from the State University of New York at Albany. Mr Lai began his legal career as an Assistant District Attorney in the New York County District Attorney's office.

Report of the Directors

The directors hereby submit their report together with the audited consolidated financial statements of Sunwah Kingsway Capital Holdings Limited for the year ended 30 June 2013.

Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of significant subsidiaries are set out in note 34 to the consolidated financial statements.

The analysis of the principal activities of the Group are set out in note 8 to the consolidated financial statements.

Results and appropriations

The loss of the Group for the year ended 30 June 2013 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 33 to 94.

An interim dividend for the year ended 30 June 2013 of 0.2 HK cent per ordinary share was paid on 10 April 2013. The directors propose, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of 0.3 HK cent per ordinary share for the year.

Five years financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 95 of the annual report.

Reserves

Movements in the reserves of the Group during the year are set out in consolidated statement of changes in equity on the consolidated financial statements.

Donations

No charitable and other donation were made by the Group during the year (2012: HK$260,000).

Properties and equipment

Movements in properties and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share capital

Details of the Company's share capital are set out in note 28 to the consolidated financial statements. The warrants issued in 2011 were lapsed in last year.

Distributable reserves

The Company's reserves available for distribution to shareholders as at 30 June 2013 consisted of contributed surplus of HK$141,522,212 (2012: HK$150,724,822) and retained profits of HK$1,066,174 (2012: HK$4,110,836).

Share options

Details of the share options granted by the Company are disclosed below pursuant to the requirements under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

(a) INFORMATION OF THE SHARE OPTION SCHEME

Details of the share option scheme (the "Scheme") approved by the shareholders of the Company on 10 November 2010, which became unconditional upon listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), are summarised as follows:

(i)	Purpose of the Scheme	:	To provide incentives or rewards to Participants for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group.
(ii)	Participants of the Scheme	:	(a) any full-time or part-time employee of any member of the Group; (b) any consultant or advisor of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any substantial shareholder of the Group; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, to be determined absolutely by the Board.
(iii)	Maximum number of shares available for subscription	:	The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the shares in issue on the date of approval of the Scheme.
(iv)	Total number of shares available for issue under the Scheme	:	As at the date of this report, 225,822,390 shares (representing 6.13% of total issued share capital) are available for issue under the Scheme.
(v)	Maximum entitlement of each participant under the Scheme	:	Not more than 1% of the shares in issue in any 12-month period.
(vi)	Minimum period for which an option must be held before it can be exercised and the exercise period of the option	:	An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which will not be more than ten years from the date of grant of the option provided that only up to one-third of the option, can be exercised in any 12-month period. The Board may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate, a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised. The minimum holding period and performance targets, if any, will be determined by the board at its absolute discretion on a case by case basis upon the grant of the relevant option and stated in the offer of grant of the option.
(vii)	Amount payable on acceptance of the option and the period within which payment must be made	:	Nominal amount of HK$1 upon acceptance of the option which must be made within 28 days from the offer date.

Share options (Continued)

(a) INFORMATION OF THE SHARE OPTION SCHEME (Continued)

(viii) Basis of determining the exercise price	:	the exercise price of a share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.
(ix) Remaining life of the Scheme	:	The Scheme will be expired on 9 November 2020.

Note: For details of options granted to individual directors, please refer to the section "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" on page 24.

Directors

The directors during the year and up to the date of this report were:

CHAIRMAN
Jonathan Koon Shum Choi

EXECUTIVE DIRECTORS
Mary Yuk Sin Lam (Deputy Chairman)
Michael Koon Ming Choi (Chief Executive Officer)

NON-EXECUTIVE DIRECTORS
Janice Wing Kum Kwan
Lee G. Lam

INDEPENDENT NON-EXECUTIVE DIRECTORS
Robert Tsai To Sze
Stanley Kam Chuen Ko
Elizabeth Law

The Company has received annual confirmations of independence from Mr Robert Tsai To Sze, Mr Stanley Kam Chuen Ko and Ms Elizabeth Law and as at the date of this report, still considers them to be independent.

Biographical details of directors and senior management

Biographical details of directors and senior management are set out on pages 18 to 20.

Directors' service contracts

No director proposed for re-election at the forthcoming Annual General Meeting has entered into any service agreements with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries, was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

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 30 June 2013, the interests and/or short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV the Hong Kong Securities and Futures Ordinance ("SFO")), as recorded in the register maintained under Section 352 of the SFO or as notified to the Company were as follows:

(I) INTEREST IN LONG POSITIONS OF ORDINARY SHARES OF THE COMPANY

Name of director	Type of interest	**Number of ordinary shares in the Company	**% of total issued shares
Dr Jonathan Koon Shum Choi*	Corporate	2,413,181,327	65.56%
Dr Jonathan Koon Shum Choi	Personal	53,562,000	1.46%
Ms Mary Yuk Sin Lam	Personal	7,500,000	0.20%
Mr Michael Koon Ming Choi	Personal	9,494,000	0.26%
Mr Stanley Kam Chuen Ko	Personal	1,200,000	0.03%

* Dr Jonathan Koon Shum Choi is deemed to be interested in 2,413,181,327 ordinary shares by virtue of the SFO. Such interest in shares is also set out under the section "Substantial shareholders' interests and short positions in the shares and underlying shares of the Company" shown on page 28.

** Excludes interest in share options to acquire ordinary shares of the Company which is disclosed in section (IV) below.

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

(II) INTEREST IN LONG POSITIONS OF COMMON SHARES OF SUNWAH INTERNATIONAL LIMITED ("SIL"), THE ULTIMATE HOLDING COMPANY OF THE COMPANY

Name of director	Personal interest	Corporate interest	*Total number of common shares	*% of total issued shares
Dr Jonathan Koon Shum Choi **	10,653,096	51,044,214 *(Note 1)*	61,697,310	66.8%
Ms Mary Yuk Sin Lam	3,301,098	–	3,301,098	3.57%
Mr Michael Koon Ming Choi	118,937	–	118,937	0.1%
Mr Stanley Kam Chuen Ko	20,400	–	20,400	<0.1%

* Excludes interest in share options and convertible unsecured debentures to acquire common shares of SIL which are disclosed in section (V) and (VI) below.

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

Notes:

(1) Of these, 36,966,159 shares are held by Sun Wah Capital Limited. Dr Jonathan Koon Shum Choi is deemed to be interested in these shares as he is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Sun Wah Capital Limited.

The remaining 14,078,055 shares are held by Scarlet Red Limited. Dr Jonathan Koon Shum Choi is deemed to be interested in these shares as he is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Scarlet Red Limited.

(III) INTEREST IN LONG POSITIONS OF ORDINARY SHARES OF HK WEAVER GROUP LIMITED, A FELLOW SUBSIDIARY OF THE COMPANY

Name of director	Type of interest	Number of ordinary shares	% of total issued shares
Ms Mary Yuk Sin Lam	Personal	28,518	2.2%
Ms Mary Yuk Sin Lam	Other	59,620	4.6%

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

(IV) INTEREST IN SHARE OPTIONS TO ACQUIRE ORDINARY SHARES OF THE COMPANY

Pursuant to the share option scheme adopted by the Company, the details of the Company's directors' and chief executive's interest in the options under the scheme as at 30 June 2013 are as follows:

Name of director	Exercise Period	Date of options granted	Exercise price per share	At 1 July 2012	Issued during the year	At 30 June 2013
Dr Jonathan Koon Shum Choi*	11/1/2011 to 10/1/2014	11/1/2011	HK$0.345	30,000,000	–	30,000,000
Mr Michael Koon Ming Choi**	11/1/2011 to 10/1/2014	11/1/2011	HK$0.345	30,000,000	–	30,000,000
Ms Mary Yuk Sin Lam***	11/1/2011 to 10/1/2014	11/1/2011	HK$0.345	10,000,000	–	10,000,000

* After the exercise of the options, Dr Jonathan Koon Shum Choi is deemed beneficial control a total of 2,496,743,327 shares.

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

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

(V) INTEREST IN SHARE OPTIONS TO ACQUIRE COMMON SHARES OF SIL

Pursuant to the share option scheme operated by SIL, the details of the Company's directors' and chief executive's interest in the options under the scheme are as follows:

Name of director	Exercise Period	Date of options granted	Exercise price per share	At 1 July 2012	Cancelled during the year	At 30 June 2013
Dr Jonathan Koon Shum Choi*	15/12/2010 to 15/12/2015	15/12/2010	C$0.55	2,166,650	–	2,166,650
Mr Michael Koon Ming Choi**	15/12/2010 to 15/12/2015	15/12/2010	C$0.55	2,166,650	–	2,166,650

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

** After the exercise of the options, Mr Michael Koon Ming Choi is deemed beneficial control a total of 2,285,587 shares.

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

(VI) INTEREST IN CONVERTIBLE UNSECURED DEBENTURES TO ACQUIRE COMMON SHARES OF SIL

Name of director	Type of interest	Principal amount of debentures	Number of underlying shares	Note
Dr Jonathan Koon Shum Choi*	Corporate	C$4,500,000	8,181,818	(a)
Mr Michael Koon Ming Choi**	Corporate	C$1,500,000	2,727,273	(a)

* The debentures are held by Sun Wah Capital Limited. Dr Jonathan Koon Shum Choi is deemed to be interested in these debentures as he is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Sun Wah Capital Limited. After the conversion of the debentures, Dr Jonathan Koon Shum Choi is deemed beneficial control a total of 69,879,128 shares. After the exercise of the share options and the conversion of the debentures, Dr Jonathan Koon Shum Choi is deemed beneficial control a total of 72,045,778 shares.

** The debentures are held by Ideal Performance Limited, a company wholly owned by Mr Michael Koon Ming Choi who is deemed to be interested in these debentures. After the conversion of the debentures, Mr Michael Koon Ming Choi is deemed beneficial control a total of 2,846,210 shares. After the exercise of the share options and the conversion of the debentures, Mr Michael Koon Ming Choi is deemed beneficial control a total of 5,012,860 shares.

Note:

(a) The debentures originally bore interest at the rate of 9% per annum payable semi-annually, matured on 19 September 2011 and were convertible into common shares of SIL at any time prior to the close of business on the earlier of maturity and the business day immediately preceding the date fixed for redemption at a conversion price of C$0.80 per share. Subsequent to the amendments to the terms of the debentures dated 31 December 2010, the interest rate of the debentures was adjusted to 1% per annum payable semi-annually and the maturity date of debentures was extended until 19 September 2013. The conversion price of the debentures was adjusted to C$0.55 per share and resulted in an increase in the number of underlying shares on the conversion of the debentures for Dr Jonathan Koon Shum Choi and Mr Michael Koon Ming Choi from 5,625,000 shares to 8,181,818 shares and from 1,875,000 shares to 2,727,273 shares respectively.

Save as disclosed above, none of the directors and chief executive of the Company or any of their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares or debentures of the Company and associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed above, as at 30 June 2013, none of the directors and chief executive of the Company 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 of the Company 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 year.

Save as disclosed above, at no time during the year 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.

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

As at 30 June 2013, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests represent long positions in the shares of the Company.

	Name of shareholder	Country of incorporation	Number of ordinary shares in the Company Direct interest	 Deemed interest	% of total issued shares	Note
(1)	World Developments Limited	British Virgin Islands	2,413,181,327	–	65.56%	(a)
(2)	Innovation Assets Limited	British Virgin Islands	–	2,413,181,327	65.56%	(a)
(3)	SIL	Bermuda	–	2,413,181,327	65.56%	(a)
(4)	Sun Wah Capital Limited	British Virgin Islands	–	2,413,181,327	65.56%	(a)

Note:

(a) These shares represent the same interest and are therefore duplicated amongst World Developments Limited, Innovation Assets Limited, SIL and Sun Wah Capital Limited. World Developments Limited is a wholly owned subsidiary of Innovation Assets Limited whose entire issued share capital is beneficially owned by SIL. Sun Wah Capital Limited beneficially owns approximately 40% of the issued share capital of SIL and therefore is deemed (by virtue of the SFO) to be interested in these 2,413,181,327 shares. Dr Jonathan Koon Shum Choi and his spouse, Ms Janice Wing Kum Kwan, beneficially owns or has control of more than one-third of the issued share capital of SIL and Sun Wah Capital Limited respectively and therefore is deemed (by virtue of the SFO) to be interested in these 2,413,181,327 shares.

Save as disclosed above, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Management contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Major customers and suppliers

During the year, the Group earned less than 30% of its turnover from its five largest customers.

The Group is a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

Related party and connected party transactions

Significant related party and connected party transactions entered into by the Group during the year are disclosed in note 33 to the consolidated financial statements.

Details of those transactions which also constitute connected transactions and are required to be disclosed under Chapter 14A of the Listing Rules are as follows:

(a) Security transactions between Kingsway Financial Services Group Limited ("Kingsway Financial") and each of the directors of the Group and their respective associates (the "Security Transactions")

Brokerage commission was received from the Group's directors and their respective associates in the ordinary course of the Group's business of dealing in securities, options, futures and commodities. 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. The total brokerage commission received by the Group from any one director and their respective associates was less than HK$1 million.

(b) Margin financing transactions between Kingsway Financial, and each of the directors of the Group and their respective associates (the "Margin Financing Transactions")

Total loans for the purpose of margin financing granted to any director and their respective associates are less than HK$10 million. During the year, there was no margin loan granted to the director. The interest 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.

(c) Master services agreement between Kingsway Group Services Limited and Sunwah International Financial Services Limited (the "Master Services Transactions")

Sunwah International Financial Services Limited is a fellow subsidiary of the Group. Kingsway Group Services Limited entered into a master services agreement with Sunwah International Financial Services Limited to provide services on provision of office space, general cleaning, maintenance and upkeep of office space and administrative and accounting services on 1 June 2011. The master services agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole. Total amounts received for the year ended 30 June 2013 by the Group was HK$1,911,000 which did not exceed the Annual Cap of HK$3,200,000.

Related party and connected party transactions (Continued)

The Securities Transactions, Margin Financing Transactions and Master Services Transactions are hereinafter referred to as the "Transactions". The independent non-executive directors have reviewed the Transactions as disclosed above and confirmed that:

(1) the Transactions are:

(i) entered into in the ordinary and usual course of business of each of the companies of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

(2) (i) the aggregate amount of the commission received by the Group in respect of the Securities Transactions for the year ended 30 June 2013 did not exceed HK$10 million;

(ii) the aggregate amount of the loan granted and amount of interest charged by the Group in respect of the Margin Financing Transactions for the year ended 30 June 2013 did not exceed HK$10 million; and

(iii) the aggregate amount of the services fee received by the Group in respect of the Master Services Transactions for the year ended 30 June 2013 did not exceed the Annual Cap for financial year ending 2013 of HK$3,200,000.

The auditor of the Company has reviewed the continuing connected transactions during the year as disclosed in note (c) above and reported the factual findings of these transactions:

(i) were approved by the board of directors of the Company;

(ii) had been entered into in accordance with the agreements governing the transactions; and

(iii) have not exceeded the Annual Cap disclosed in the previous announcement.

Sufficiency of public float

According to the information that is publicly available to the Company and within the knowledge of the Board, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares as at the date of this report, the latest practicable date to ascertain such information prior to the issue of this annual report.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 7 to 17.

Directors' interest in competing business

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules:

(1) SIL and its subsidiaries, other than those in the Group ("Sunwah International Group"), are mainly engaged in direct and regional investments, the development, production and distribution of software products and the provision of technical services relating to the financial markets in Hong Kong and Asia Pacific countries, and the provision of other financial services in Australia and Canada. The Company has entered into a non-competition undertaking with SIL on 25 August 2000 ("the Sunwah International Undertaking"). According to the Sunwah International Undertaking, SIL shall not, and shall procure Sunwah International Group not to, among other things, engage in the provision of financial, advisory, stockbroking, financing, fund management and futures brokerage services relating to stocks and futures in Hong Kong. SIL has also undertaken not to, and will procure Sunwah International Group not to, apply for or obtain licenses to conduct such services in Hong Kong. In addition, investments in securities for the Group and the Sunwah International Group are performed independently from each other.

(2) The Company and Dr Jonathan Koon Shum Choi ("Dr Choi") entered into a non-competition undertaking ("the Choi's Undertaking") on 10 August 2000. According to the Choi's Undertaking, Dr Choi shall not, and shall procure the covenanters (as defined therein) not to, among other things, engage in the provision of financial, advisory, stockbroking, financing, fund management and futures broking services relating to stocks and futures in Hong Kong which may only be lawfully provided by a registered person (as defined therein) but excluding the provision of financial accommodation which does not fall within the definition of "Securities Margin Financing" for the purposes of the Hong Kong Securities Ordinance (which was repealed on 1 April 2003 and replaced by the SFO) in competition with the Group.

Auditors

A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By order of the board

Jonathan Koon Shum Choi
Chairman

Hong Kong, 18 September 2013

Independent Auditor's Report

Independent auditor's report to the shareholders of Sunwah Kingsway Capital Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sunwah Kingsway Capital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 94, which comprise the consolidated and Company's statements of financial position as at 30 June 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

18 September 2013

Consolidated Income Statement

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

	Notes	2013	2012
Turnover			
Commission and fee income	4	$ 66,027,107	$ 81,997,033
Interest and dividend income	4	12,266,210	22,940,954
		$ 78,293,317	$ 104,937,987
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	5	19,188,687	(50,560,431)
Net gain on disposal of available-for-sale investments		10,111,808	–
Other income	6	5,910,855	1,308,253
		$ 113,504,667	$ 55,685,809
Operating expenses			
Commission expenses		(10,203,899)	(19,630,659)
General and administrative expenses		(100,405,252)	(125,192,454)
Finance costs	7(a)	(2,962,548)	(1,303,428)
		$ (67,032)	$ (90,440,732)
Impairment loss for available-for-sale investments	18	–	(20,768,354)
Impairment loss for other receivable	19	(3,680,000)	(3,500,000)
Share of profits/(losses) of associates	17	311,241	(3,714,277)
Loss before tax	7	$ (3,435,791)	$ (118,423,363)
Income tax credit/(expense)	9(a)	1,107,018	(762,851)
Loss for the year		$ (2,328,773)	$ (119,186,214)
Attributable to:			
Owners of the Company	11	$ (2,328,773)	$ (119,172,144)
Non-controlling interests		–	(14,070)
Loss for the year		$ (2,328,773)	$ (119,186,214)
Basic loss per share	13	(0.06) cent	(3.2) cents
Diluted loss per share	13	(0.06) cent	(3.2) cents

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

		2013		2012
Loss for the year	**$**	**(2,328,773)**	$	(119,186,214)
Other comprehensive income/(expenses):				
Items that will not be reclassified to profit or loss:				
Surplus on revaluation of land and buildings held for own use (net of tax)	**$**	**49,797,812**	$	1,355,265
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of financial statements of overseas subsidiaries	**$**	**(1,408,245)**	$	(450,142)
Fair value changes on available-for-sale investments		**7,284,766**		(22,549,653)
Reclassification upon impairment of available-for-sale investments		**–**		20,768,354
Reclassification upon disposal of available-for-sale investments		**(1,327,449)**		–
	$	**4,549,072**	$	(2,231,441)
Other comprehensive income/(expenses) for the year	**$**	**54,346,884**	$	(876,176)
Total comprehensive income/(expenses) for the year	**$**	**52,018,111**	$	(120,062,390)
Total comprehensive income/(expenses) attributable to:				
Owners of the Company	**$**	**52,018,111**	$	(120,048,320)
Non-controlling interests		**–**		(14,070)
Total comprehensive income/(expenses) for the year	**$**	**52,018,111**	$	(120,062,390)

Consolidated Statement of Financial Position

At 30 June 2013 (Expressed in Hong Kong dollars)

	Notes	2013	2012
Non-current assets			
Properties and equipment	14	**$ 318,833,334**	$ 268,781,596
Intangible assets	15	**2,331,141**	2,331,141
Interests in associates	17	**15,906,884**	15,595,643
Available-for-sale investments	18	**28,993,290**	28,135,951
Other receivable	19	**32,820,000**	36,500,000
Other financial assets	20	**9,259,465**	7,452,241
Loan to an associate	17	**1,181,870**	–
		$ 409,325,984	$ 358,796,572
Current assets			
Loan to an associate	17	**$ –**	$ 1,210,930
Available-for-sale investment	18	**–**	10,652,793
Financial assets at fair value through profit or loss	21	**139,019,265**	113,803,544
Accounts, loans and other receivables	22	**189,052,080**	144,782,217
Cash and cash equivalents	24	**70,942,797**	130,106,906
		$ 399,014,142	$ 400,556,390
Current liabilities			
Accruals, accounts and other payables	25	**$ 65,736,496**	$ 111,990,622
Bank loans – current portion	26	**71,600,000**	–
Current taxation		**1,450,324**	1,670,978
		$ 138,786,820	$ 113,661,600
Net current assets		**$ 260,227,322**	$ 286,894,790
Total assets less current liabilities		**$ 669,553,306**	$ 645,691,362
Non-current liabilities			
Bank loan – non-current portion	26	**$ 82,400,000**	$ 103,000,000
Deferred tax liabilities	27	**13,293,115**	5,642,584
		$ 95,693,115	$ 108,642,584
NET ASSETS		**$ 573,860,191**	$ 537,048,778
CAPITAL AND RESERVES			
Share capital	28	**$ 368,104,391**	$ 368,104,391
Reserves		**205,755,800**	168,944,387
Equity attributable to owners of the Company		**$ 573,860,191**	$ 537,048,778
Non-controlling interests		**–**	–
TOTAL EQUITY		**$ 573,860,191**	$ 537,048,778

The consolidated financial statements on pages 33 to 94 were approved and authorised for issue by the Board of Directors on 18 September 2013 and signed on its behalf by:

Mary Yuk Sin Lam
Director

Michael Koon Ming Choi
Director

Statement of Financial Position

At 30 June 2013 (Expressed in Hong Kong dollars)

	Notes	2013	2012
Non-current assets			
Interests in subsidiaries	*16*	**$ 213,272,358**	$ 212,264,358
Amounts due from subsidiaries	*23*	**287,289,031**	262,734,860
		$ 500,561,389	$ 474,999,218
Current assets			
Prepayments and deposits	*22*	**$ 178,594**	$ 205,688
Amounts due from subsidiaries	*23*	**126,683,485**	128,942,986
Cash and cash equivalents		**7,123,312**	21,268,970
		$ 133,985,391	$ 150,417,644
Current liabilities			
Accruals, accounts and other payables	*25*	**$ 678,264**	$ 659,074
Bank loans	*26*	**20,000,000**	–
		$ 20,678,264	$ 659,074
Net current assets		**$ 113,307,127**	$ 149,758,570
NET ASSETS		**$ 613,868,516**	$ 624,757,788
CAPITAL AND RESERVES			
Share capital	*28*	**$ 368,104,391**	$ 368,104,391
Reserves	*30*	**245,764,125**	256,653,397
TOTAL EQUITY		**$ 613,868,516**	$ 624,757,788

Mary Yuk Sin Lam
Director

Michael Koon Ming Choi
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company												
	Share capital	Share premium	Special reserve	Capital reserve on consolidation	Share options reserve	Warrants reserve	Exchange reserve	Properties revaluation reserve	Investments revaluation reserve	(Accumulated losses)/ Retained earnings	Total	Non-controlling interests	Total
At 1 July 2012	$ 368,104,391	$ 94,273,918	$ 39,800,000	$ 63,391,540	$ 10,192,000	$ -	$ (4,487,425)	$ 20,202,422	$ -	$ (54,428,068)	$ 537,048,778	$ -	$ 537,048,778
Loss for the year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,328,773)	$ (2,328,773)	$ -	$ (2,328,773)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(1,408,245)	-	-	-	(1,408,245)	-	(1,408,245)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	-	49,797,812	-	-	49,797,812	-	49,797,812
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	7,284,766	-	7,284,766	-	7,284,766
Reclassification upon disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(1,327,449)	-	(1,327,449)	-	(1,327,449)
Total comprehensive income/ (expenses) for the year	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,408,245)	$ 49,797,812	$ 5,957,317	$ (2,328,773)	$ 52,018,111	$ -	$ 52,018,111
2012 final dividend paid	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (9,202,610)	$ (9,202,610)	$ -	$ (9,202,610)
2013 Interim dividend paid	-	-	-	-	-	-	-	-	-	(7,362,088)	(7,362,088)	-	(7,362,088)
Recognition of equity-settled share-based payments	-	-	-	-	1,358,000	-	-	-	-	-	1,358,000	-	1,358,000
At 30 June 2013	$ 368,104,391	$ 94,273,918	$ 39,800,000	$ 63,391,540	$ 11,550,000	$ -	$ (5,895,670)	$ 70,000,234	$ 5,957,317	$ (73,321,539)	$ 573,860,191	$ -	$ 573,860,191
At 1 July 2011	$ 368,104,391	$ 94,273,918	$ 39,800,000	$ 63,391,540	$ 5,921,333	$ 21,641	$ (4,037,283)	$ 18,847,157	$ 1,781,299	$ 97,851,830	$ 685,955,826	$ 138,169	$ 686,093,995
Loss for the year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$(119,172,144)	$(119,172,144)	$ (14,070)	$(119,186,214)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	-	(450,142)	-	-	-	(450,142)	-	(450,142)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	-	1,355,265	-	-	1,355,265	-	1,355,265
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	-	(22,549,653)	-	(22,549,653)	-	(22,549,653)
Reclassification upon impairment of available-for-sale investments	-	-	-	-	-	-	-	-	20,768,354	-	20,768,354	-	20,768,354
Total comprehensive income/ (expenses) for the year	$ -	$ -	$ -	$ -	$ -	$ -	$ (450,142)	$ 1,355,265	$ (1,781,299)	$(119,172,144)	$(120,048,320)	$ (14,070)	$(120,062,390)
2011 final dividend paid	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (25,767,307)	$ (25,767,307)	$ -	$ (25,767,307)
2012 Interim dividend paid	-	-	-	-	-	-	-	-	-	(7,362,088)	(7,362,088)	-	(7,362,088)
Warrants lapsed	-	-	-	-	-	(21,641)	-	-	-	21,641	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	4,270,667	-	-	-	-	-	4,270,667	-	4,270,667
Return of capital to non-controlling interests of a liquidated subsidiary	-	-	-	-	-	-	-	-	-	-	-	(124,099)	(124,099)
At 30 June 2012	$ 368,104,391	$ 94,273,918	$ 39,800,000	$ 63,391,540	$ 10,192,000	$ -	$ (4,487,425)	$ 20,202,422	$ -	$ (54,428,068)	$ 537,048,778	$ -	$ 537,048,778

Consolidated Statement of Cash Flows

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

	2013	2012
Operating activities		
Loss before tax	**$ (3,435,791)**	$ (118,423,363)
Adjustments for:		
Depreciation	**10,254,340**	2,782,191
Interest expense	**2,962,548**	1,303,428
Dividend income	**(2,102,745)**	(5,362,308)
Interest income	**(10,163,465)**	(17,578,646)
Loss on disposal of properties and equipment	**–**	190,160
Share of (profits)/losses of associates	**(311,241)**	3,714,277
Share-based payment expense	**1,358,000**	4,270,667
Charge for impairment losses for accounts receivable	**853,849**	1,000,608
Impairment loss for available-for-sale investments	**–**	20,768,354
Net gain on disposal of available-for-sale investments	**(10,111,808)**	–
Impairment loss for other receivable	**3,680,000**	3,500,000
Effect of foreign exchange rate changes	**(1,394,667)**	(417,779)
Operating loss before changes in working capital	**$ (8,410,980)**	$ (104,252,411)
(Increase)/decrease in other financial assets	**(1,807,224)**	3,755,933
(Increase)/decrease in financial assets at fair value through profit or loss	**(23,958,409)**	85,330,691
(Increase)/decrease in accounts, loans and other receivables	**(46,199,659)**	124,998,753
Decrease in accruals, accounts and other payables	**(42,613,476)**	(89,813,336)
Cash (used in)/generated from operations	**$ (122,989,748)**	$ 20,019,630
Interest received	**10,075,434**	17,582,273
Dividends received	**2,009,411**	4,660,817
Interest paid	**(2,965,490)**	(746,816)
Hong Kong Profits Tax paid	**(128,686)**	(4,629)
Net cash (used in)/generated from operating activities	**$ (113,999,079)**	$ 41,511,275

Consolidated Statement of Cash Flows

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

	Note	2013	2012
Investing activities			
Payments for purchase of available-for-sale investments		$ –	$ (7,995,389)
Proceeds on disposal of available-for-sale investments		18,047,779	–
Return of investment cost of available-for-sale investment		7,816,800	–
Payments for purchase of properties and equipment		(5,464,911)	(228,541,439)
Return of capital from an associate		–	11,400,000
Additional investment in an associate		–	(234)
Loan to an associate	17	–	(1,246,420)
Dividend received from an available-for-sale investment		–	532,640
Net cash generated from/(used in) investing activities		$ 20,399,668	$ (225,850,842)
Financing activities			
Repayment of bank loans		$ (212,000,000)	$ (40,000,000)
Proceeds from new bank loans		263,000,000	143,000,000
Repayment of obligations under finance leases		–	(55,569)
Dividends paid to owners of the Company		(16,564,698)	(33,129,395)
Return of capital to non-controlling interests of a liquidated subsidiary		–	(124,099)
Net cash generated from financing activities		$ 34,435,302	$ 69,690,937
Net decrease in cash and cash equivalents		$ (59,164,109)	$ (114,648,630)
Cash and cash equivalents at 1 July 2012/2011		130,106,906	244,755,536
Cash and cash equivalents at 30 June 2013/2012		$ 70,942,797	$ 130,106,906
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		$ 70,942,797	$ 130,106,906

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

1 Corporate information

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 17 May 2000. Pursuant to a Group reorganisation completed on 10 August 2000 (the "Reorganisation") to rationalise the Company and its subsidiaries in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company issued shares in exchange for the entire share capital of SW Kingsway Capital Group Limited and thereby became the holding company of the Group. The Company's shares were successfully listed on the Stock Exchange on 15 September 2000.

The principal activities of the Company and its significant subsidiary companies are disclosed in the Director's Report of the annual report and in note 34.

The consolidated financial statements are presented in Hong Kong dollars, which is functional currency of the Company.

2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied a number of new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 July 2012. Except as described below, the application of the new and revised HKFRSs has had no material impact on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has applied the amendment to HKAS 1 in the consolidated financial statements except for the introduction of new terminology for the statement of comprehensive income and income statement. The directors consider there is no material impact on the presentation of the consolidated financial statements.

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transitional Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedging Accounting[2]
HK(IFRIC) – Int 21	Levies[2]

[1] Effective for annual periods beginning on or after 1 January 2013

[2] Effective for annual periods beginning on or after 1 January 2014

[3] Effective for annual periods beginning on or after 1 January 2015

2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Group anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may have impact on presentation of certain financial assets and financial liabilities and result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

– HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 FINANCIAL INSTRUMENTS (Continued)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors anticipate that the application of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 FAIR VALUE MEASUREMENT

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of HKFRS 13 may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The directors anticipate that the application of the other new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

3 Significant accounting policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for land and buildings held for own use, available-for-sale investments and financial assets/liabilities at fair value through profit or loss that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for services.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 July 2010 onwards).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3 Significant accounting policies (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in the associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3 Significant accounting policies (Continued)

INVESTMENTS IN ASSOCIATES (Continued)

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

INTANGIBLE ASSETS

The trading rights in the Stock Exchange, the B-Shares Special Seat of Shenzhen Stock Exchange, the B-Shares Tangible Trading Seat of Shanghai Stock Exchange, the Chinese Gold & Silver Exchange Society membership and non-redeemable club memberships have indefinite useful lives are recognised as intangible assets in the consolidated statement of financial position. They are carried at cost less impairment losses and are tested for impairment annually and whenever there is an indication that the intangible assets may be impaired by comparing their recoverable amounts with their carrying amounts.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future, or it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. The dividend and interest earned was included in turnover in the consolidated income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables mainly comprise accounts, loans and other receivables, secured margin loans, loan to an associate, deposits, bank balances and cash and are measured at amortised cost using the effective interest method, less any impairment losses, unless the effect of discounting would be immaterial. In such case, the receivables are stated at cost less impairment losses, if any.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or financial assets at FVTPL or held-to-maturity investments.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, or breach of contract, such as default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial re-organisation, or the disappearance of an active market for that financial asset because of financial difficulties.

For accounts and loans receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and loans receivables, where the carrying amount is reduced through the use of an allowance account. When account or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in the investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liabilities and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition. A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near future, or on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Other financial liabilities (including bank loans and accounts and other payables) are subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial. In such case, the liabilities are stated at cost.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3 Significant accounting policies (Continued)

PROPERTY AND EQUIPMENT

(i) Land and buildings held for own use

Land and buildings held for own use are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from those that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and buildings held for own use is recognised in other comprehensive income, and accumulated in properties revaluation reserve except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation for such land and buildings held for own use is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

(ii) Equipment

Equipment, comprising leasehold improvements, furniture and fixtures, office equipment and motor vehicles is stated at cost less accumulated depreciation and impairment losses, if any.

Equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

(iii) Depreciation

Depreciation is recognised so as to write off the cost or fair value of property and equipment less their residual values, if any, using the straight-line method over their estimated useful lives as follows:

Land and buildings held for own use	Shorter of the remaining lease terms or 50 years
Leasehold improvements	Shorter of the unexpired lease terms or 5 years
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3 Significant accounting policies (Continued)

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 lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. The fair value usually quoted from independent third parties. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3 Significant accounting policies (Continued)

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes. Income is recognised in the consolidated income statement on the following basis:

(i) Brokerage and commission income is recognised on a trade date basis when the relevant transactions are executed and related services are provided. Underwriting and sub-underwriting commission is recognised once the corresponding underwriting exposure has ceased. Corporate finance advisory, asset management, loan arrangement, secretarial and other service fees are recognised upon such services being rendered.

(ii) Interest income is recognised as it accrues using the effective interest method.

(iii) Dividend income from investments is recognised when the shareholder's right to receive payment have been established.

EMPLOYEE BENEFITS

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plans

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus payments are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Defined contribution pension plan obligations

The Group operates a defined-contribution pension scheme ("MPF Scheme"), the assets of which are held separately from those of the Group in an independently administered fund. The Group has chosen to follow the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income subject to the relevant monthly income cap of $25,000 imposed by the MPF Scheme Ordinance. Payments to the MPF Scheme are charged as expense when employees have rendered service entitling them to the contributions and are reduced by contributions forfeited, if applicable, by those employees who leave the scheme prior to the contributions become fully vested.

3 Significant accounting policies (Continued)

EMPLOYEE BENEFITS (Continued)

(iv) Equity-settled share-based payments transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3 Significant accounting policies (Continued)

TAXATION (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3 Significant accounting policies (Continued)

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (and therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group, (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 July 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the other comprehensive income under the heading of exchange reserve.

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

4 Turnover

The principal activities of the Group are investment in securities, securities broking and margin financing, provision of financial advisory services, asset management, money lending and other securities related financial services.

	2013	2012
Commission and fee income on		
– stock, options, futures and commodities brokerage	**$ 37,468,342**	$ 44,882,075
– underwriting and placements in equity capital markets	**5,237,721**	16,912,819
– corporate finance	**19,430,968**	15,661,285
– asset management	**413,073**	723,174
– miscellaneous fee income	**3,477,003**	3,817,680
	$ 66,027,107	$ 81,997,033
Interest and dividend income		
– interest from		
– bank deposits	**$ 1,840,172**	$ 1,500,155
– margin and IPO financing	**3,578,065**	10,037,194
– debt securities	**3,419,074**	4,343,151
– loans	**1,299,836**	1,680,000
– others	**26,318**	18,146
– dividend from listed equity securities	**2,102,745**	5,362,308
	$ 12,266,210	$ 22,940,954
	$ 78,293,317	$ 104,937,987

5 Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value

	2013	2012
Equity securities	**$ 15,644,066**	$ (59,881,188)
Debt securities	**1,425,403**	(139,641)
Derivatives and others	**2,119,218**	9,460,398
	$ 19,188,687	$ (50,560,431)

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

6 Other income

		2013		2012
Exchange gain (net)	$	**1,821,974**	$	269,419
Other income		**4,088,881**		1,038,834
	$	**5,910,855**	$	1,308,253

7 Loss before tax

Loss before tax has been arrived at after charging:

		2013		2012
(a) Finance costs:				
Interest on:				
– bank loans wholly repayable within one month and overdrafts	$	**148,728**	$	43,111
– bank mortgage loan wholly repayable within five years		**2,772,827**		1,249,957
– obligations under finance leases		**–**		731
– others		**40,993**		9,629
	$	**2,962,548**	$	1,303,428
(b) Staff costs, including directors' remuneration:				
Salaries and other allowances	$	**58,087,536**	$	63,252,160
Pension costs – defined contribution plan		**1,464,371**		1,377,661
Equity settled share-based payments		**1,358,000**		4,270,667
	$	**60,909,907**	$	68,900,488
(c) Other items:				
Impairment losses for accounts receivable	$	**853,849**	$	1,000,608
Operating lease charges – land and buildings		**2,550,161**		10,483,315
Depreciation		**10,254,340**		2,782,191
Loss on disposal of properties and equipment		**–**		190,160
Auditors' remuneration		**1,856,843**		1,739,648

8 Segment reporting

Information reported to the Managing Director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Investment in securities	:	Investment in securities for treasury and liquidity management
Structured investment	:	Investment in structured deals including listed and unlisted equities, debt securities and investment properties
Brokerage	:	Provision of securities, option, futures and commodities brokerage services, margin and other financing, and other related services
Corporate finance and capital markets	:	Provision of financial advisory services to corporate clients in connection with the Listing Rules and acting as underwriting and placing agent in the equity capital market
Asset management	:	Provision of real estate services, asset management and related advisory services to private equity funds and private clients
Others	:	Provision of management, administrative and corporate secretarial services, inter-group loan financing and inter-group office leasing

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

8 Segment reporting (Continued)

	2013						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Segmental income statement							
Revenue from external customers	$ 5,572,804	$ 2	$ 46,138,337	$ 25,457,817	$ 413,670	$ 710,687	$ 78,293,317
Inter-segment revenue	386	–	462,661	–	–	22,189,603	22,652,650
Segment revenue	$ 5,573,190	$ 2	$ 46,600,998	$ 25,457,817	$ 413,670	$ 22,900,290	$ 100,945,967
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	19,312,164	–	(123,477)	–	–	–	19,188,687
Net gain on disposal of available-for-sale investments	–	10,111,808	–	–	–	–	10,111,808
Other income	103,674	–	3,099,351	26,474	–	2,681,356	5,910,855
Eliminations	(386)	–	(462,661)	–	–	(22,189,603)	(22,652,650)
Total income	$ 24,988,642	$ 10,111,810	$ 49,114,211	$ 25,484,291	$ 413,670	$ 3,392,043	$ 113,504,667
Segment results	$ 20,004,244	$ 8,685,416	$ (22,322,618)	$ (2,859,421)	$ (1,652,360)	$ (5,602,293)	$ (3,747,032)
Share of (loss)/profit of associates	$ –	$ (585,336)	$ 896,577	$ –	$ –	$ –	311,241
Loss before tax							$ (3,435,791)
Segment assets							
Segment assets	$ 153,134,183	$ 28,993,291	$ 262,922,204	$ 11,235,101	$ 7,897,379	$ 335,468,415	$ 799,650,573
Interests in associates	–	2,979,960	12,926,924	–	–	–	15,906,884
							$ 815,557,457
Eliminations							(7,217,331)
Total assets							$ 808,340,126
Other segmental information							
Depreciation	$ –	$ –	$ 711,252	$ 24,756	$ –	$ 9,518,332	$ 10,254,340
Addition to non-current assets	$ –	$ –	$ 229,567	$ –	$ –	$ 1,597,636	$ 1,827,203
Impairment losses for accounts receivable	$ –	$ –	$ 248,661	$ 605,100	$ –	$ 88	$ 853,849
Impairment loss for other receivable	$ –	$ –	$ 3,680,000	$ –	$ –	$ –	$ 3,680,000
Commission expenses	$ –	$ –	$ 9,482,751	$ 721,148	$ –	$ –	$ 10,203,899
Interest expenses	$ 30,160	$ –	$ 112,598	$ –	$ –	$ 2,819,790	$ 2,962,548
Interest income	$ 3,470,059	$ 2	$ 6,652,090	$ 13,961	$ 598	$ 26,755	$ 10,163,465

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

8 Segment reporting (Continued)

	2012						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Segmental income statement							
Revenue from external customers	$ 9,175,422	$ 532,649	$ 60,085,205	$ 33,723,737	$ 723,237	$ 697,737	$ 104,937,987
Inter-segment revenue	17	–	724,023	–	–	22,235,088	22,959,128
Segment revenue	$ 9,175,439	$ 532,649	$ 60,809,228	$ 33,723,737	$ 723,237	$ 22,932,825	$ 127,897,115
Net loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	(50,449,964)	–	(110,467)	–	–	–	(50,560,431)
Other income	(79,369)	–	35,164	174,670	–	1,177,788	1,308,253
Eliminations	(17)	–	(724,023)	–	–	(22,235,088)	(22,959,128)
Total income	$ (41,353,911)	$ 532,649	$ 60,009,902	$ 33,898,407	$ 723,237	$ 1,875,525	$ 55,685,809
Segment results	$ (47,768,203)	$ (21,841,568)	$ (26,193,661)	$ (530,593)	$ (1,142,859)	$ (17,232,202)	$ (114,709,086)
Share of losses of associates	$ –	$ (3,181,932)	$ (532,111)	$ (234)	$ –	$ –	(3,714,277)
Loss before tax							$ (118,423,363)
Segment assets							
Segment assets	$ 134,679,871	$ 38,884,924	$ 264,325,982	$ 11,232,034	$ 1,085,424	$ 299,480,772	$ 749,689,007
Interests in associates	–	3,565,295	12,030,348	–	–	–	15,595,643
							$ 765,284,650
Eliminations							(5,931,688)
Total assets							$ 759,352,962
Other segmental information							
Depreciation	$ –	$ –	$ 890,962	$ 54,632	$ –	$ 1,836,597	$ 2,782,191
Addition to non-current assets	$ –	$ –	$ 519,912	$ 11,351	$ –	$ 232,487,884	$ 233,019,147
Impairment losses for accounts receivable	$ –	$ –	$ 608	$ 1,000,000	$ –	$ –	$ 1,000,608
Impairment loss for available-for-sale investments	$ –	$ 20,768,354	$ –	$ –	$ –	$ –	$ 20,768,354
Impairment loss for other receivable	$ –	$ –	$ 3,500,000	$ –	$ –	$ –	$ 3,500,000
Commission expenses	$ –	$ –	$ 10,851,074	$ 8,779,585	$ –	$ –	$ 19,630,659
Interest expenses	$ –	$ –	$ 24,357	$ –	$ –	$ 1,279,071	$ 1,303,428
Interest income	$ 4,345,753	$ 10	$ 13,210,246	$ 458	$ 64	$ 22,115	$ 17,578,646

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

8 Segment reporting (Continued)

Geographical information

The Group's revenue from external customers and information about its non-current assets (excluding interests in associates, loan to associate, available-for-sale investments, other receivable and other financial assets) by geographical location are detailed below:

	Group			
	Turnover		Non-current assets	
	2013	2012	**2013**	2012
Hong Kong	**$ 74,356,718**	$ 101,440,302	**$281,583,676**	$ 237,239,174
The People's Republic of China (the "PRC")	**1,818,755**	1,956,801	**39,580,799**	33,873,563
Other	**2,117,844**	1,540,884	**–**	–
	$ 78,293,317	$ 104,937,987	**$321,164,475**	$ 271,112,737

9 Income tax in the consolidated income statement

(a) INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT REPRESENTS:

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. The charge for the year to Hong Kong Profits Tax has been relieved by approximately $4,961,464 (2012: $nil) as a result of tax losses brought forward from previous years of $30,069,479 (2012: $nil).

Under the law of the People's Republic of China on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

	2013	2012
Current tax – Provision for Hong Kong Profits Tax		
Over provision in prior year	**$ 91,968**	$ –
Deferred tax		
Tax credit/(expense) for the year	**$ 1,015,050**	$ (762,851)
Income tax credit/(expense)	**$ 1,107,018**	$ (762,851)

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

9 Income tax in the consolidated income statement (Continued)

(b) RECONCILIATION BETWEEN INCOME TAX EXPENSE AND ACCOUNTING LOSS AT APPLICABLE TAX RATES:

The tax charge for the year can be reconciled to the loss before tax per consolidated income statement as follows:

	2013	2012
Loss before tax	**$ 3,435,791**	$ 118,423,363
Add: Share of profits/(losses) of associates	**311,241**	(3,714,277)
	$ 3,747,032	$ 114,709,086
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**$ 618,260**	$ 18,926,999
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(563,732)**	(807,040)
Tax effect of non-deductible expenses	**(364,770)**	(2,200,349)
Tax effect of non-taxable income	**1,009,518**	1,317,174
Tax effect of utilisation of tax losses not previously recognised	**4,961,464**	–
Tax effect of tax losses not recognised	**(5,111,356)**	(18,641,054)
Over provision in prior year	**91,968**	–
Others	**465,666**	641,419
Income tax credit/(expense)	**$ 1,107,018**	$ (762,851)

10 Directors' and management's emoluments

(a) DIRECTORS' EMOLUMENTS

The emoluments paid to each of 8 (2012: 9) directors and the chief executive were as follows:

	2013					
	Fees	**Salaries, commissions and other allowances**	**Equity settled share-based payment**	**Bonuses** *(Note)*	**Retirement scheme contributions**	**Total**
Jonathan Koon Shum Choi	$ 1,450,000	$ –	$ 350,000	$ –	$ –	$ 1,800,000
Mary Yuk Sin Lam	–	1,936,649	116,667	–	15,000	2,068,316
Michael Koon Ming Choi	–	2,040,000	350,000	–	75,000	2,465,000
Janice Wing Kum Kwan	200,000	–	–	–	–	200,000
Lee G. Lam	200,000	–	–	–	–	200,000
Robert Tsai To Sze	200,000	–	–	–	–	200,000
Stanley Kam Chuen Ko	200,000	–	–	–	–	200,000
Elizabeth Law	200,000	–	–	–	–	200,000
	$ 2,450,000	$ 3,976,649	$ 816,667	$ –	$ 90,000	$ 7,333,316

Notes to the Consolidated Financial Statements
For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

10 Directors' and management's emoluments (Continued)

(a) DIRECTORS' EMOLUMENTS (Continued)

	2012					
	Fees	Salaries, commissions and other allowances	Equity settled share-based payment	Bonuses *(Note)*	Retirement scheme contributions	Total
Jonathan Koon Shum Choi	$ 1,800,000	$ –	$ 1,300,000	$ –	$ –	$ 3,100,000
Mary Yuk Sin Lam	–	2,532,476	433,333	–	12,250	2,978,059
Michael Koon Ming Choi	–	2,460,000	1,300,000	–	72,250	3,832,250
Janice Wing Kum Kwan	200,000	–	–	–	–	200,000
Lee G. Lam	200,000	–	–	–	–	200,000
Robert Tsai To Sze	200,000	–	–	–	–	200,000
Stanley Kam Chuen Ko	200,000	–	–	–	–	200,000
Elizabeth Law	122,222	–	–	–	–	122,222
Michael Wai Chung Wu	78,334	–	–	–	–	78,334
	$ 2,800,556	$ 4,992,476	$ 3,033,333	$ –	$ 84,500	$ 10,910,865

Note: The discretionary bonus is determined by reference to the Group and the individual performance during the year. Michael Koon Ming Choi was entitled to a contractual bonus calculated as a percentage of profits before tax of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the current and previous years.

(b) MANAGEMENT'S EMOLUMENTS (EXCLUDING COMMISSIONS)

The five individuals whose emoluments (excluding commissions) were the highest in the Group for the year include 1 (2012: 2) directors whose emoluments (excluding commissions) received in their capacity as directors of the Company are reflected in the analysis presented above. The emoluments (excluding commissions) payable to the remaining 4 (2012: 3) individuals during the year are as follows:

	2013	2012
Salaries, other allowances and benefits in kind	**$ 6,768,339**	$ 5,226,000
Bonuses	**3,890,000**	5,451,000
Equity settled share-based payment	**429,334**	853,334
Retirement scheme contributions	**60,000**	36,750
	$ 11,147,673	$ 11,567,084

The emoluments are within the following bands:

	2013 Number of individuals	2012 Number of individuals
$1,500,001 – $2,000,000	**1**	–
$2,000,001 – $2,500,000	**1**	–
$2,500,001 – $3,000,000	**1**	1
$3,000,001 – $3,500,000	**–**	1
$4,500,001 – $5,000,000	**1**	–
$5,500,001 – $6,000,000	**–**	1

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

11 Loss attributable to owners of the Company

The consolidated loss attributable to owners of the Company includes a profit of $4,317,426 (2012: loss of $19,448,084) which has been dealt with in the financial statements of the Company.

12 Dividends

(a) DIVIDENDS PAID AND PAYABLE TO OWNERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

		2013		2012
Interim dividend paid of 0.2 cent per share (2012: 0.2 cent per share)	**$**	**7,362,088**	$	7,362,088
Final dividend proposed after the end of the reporting period of 0.3 cent per share (2012: 0.25 cent per share)		**11,043,132**		9,202,610
	$	**18,405,220**	$	16,564,698

The final dividend proposed by the directors is subject to approval by the shareholders at the forthcoming general meeting.

(b) DIVIDENDS RECOGNISED AS DISTRIBUTIONS DURING THE YEAR

		2013		2012
Final dividend in respect of the previous financial year, approved and paid of 0.25 cent per share (2012: 0.7 cent per share)	**$**	**9,202,610**	$	25,767,307
Interim dividend paid of 0.2 cent per share (2012: 0.2 cent per share)		**7,362,088**		7,362,088
	$	**16,564,698**	$	33,129,395

13 Loss per share

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

		2013		2012
Loss				
Loss for the purposes of basic and diluted loss per share				
Loss for the year attributable to owners of the Company	**$**	**2,328,773**	$	119,172,144
Number of shares				
Number of ordinary shares for the purposes of basic and diluted loss per share		**3,681,043,906**		3,681,043,906

Note: The computation of diluted loss per share does not assume the exercise of the Company's share options and warrants because the exercise price of those share options and warrants was higher than the average market price of shares for 2013 and 2012.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

14 Properties and equipment

	Group					
	Land and buildings held for own use	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
Cost or valuation:						
At 1 July 2011	$ 29,353,520	$ 4,042,827	$ 903,936	$ 15,113,310	$ 2,348,563	$ 51,762,156
Exchange adjustments	–	12,497	345	5,935	13,427	32,204
Additions	216,460,260	10,419,363	1,167,244	4,972,280	–	233,019,147
Disposals	–	(1,075,212)	(267,449)	(4,403,721)	–	(5,746,382)
Elimination on revaluation	(1,108,911)	–	–	–	–	(1,108,911)
Surplus on revaluation	5,982,799	–	–	–	–	5,982,799
At 30 June 2012 and 1 July 2012	$ 250,687,668	$ 13,399,475	$ 1,804,076	$ 15,687,804	$ 2,361,990	$ 283,941,013
Exchange adjustments	–	41,382	1,363	15,949	35,360	94,054
Additions/(adjustment)	–	1,503,227	(15,114)	339,090	–	1,827,203
Written-off	–	(888,983)	(314,296)	(6,065,023)	(209,994)	(7,478,296)
Elimination on revaluation	(5,731,540)	–	–	–	–	(5,731,540)
Surplus on revaluation	58,463,393	–	–	–	–	58,463,393
At 30 June 2013	$ 303,419,521	$ 14,055,101	$ 1,476,029	$ 9,977,820	$ 2,187,356	$ 331,115,827
Accumulated depreciation and impairment						
At 1 July 2011	$ –	$ 3,694,603	$ 783,156	$ 12,285,191	$ 2,250,332	$ 19,013,282
Exchange adjustments	–	11,960	343	4,974	12,084	29,361
Charge for the year	1,108,911	384,397	90,006	1,198,877	–	2,782,191
Elimination on revaluation	(1,108,911)	–	–	–	–	(1,108,911)
Disposals	–	(906,802)	(255,999)	(4,393,705)	–	(5,556,506)
At 30 June 2012 and 1 July 2012	$ –	$ 3,184,158	$ 617,506	$ 9,095,337	$ 2,262,416	$ 15,159,417
Exchange adjustments	–	31,931	932	13,885	31,824	78,572
Charge for the year	5,731,540	2,523,049	265,122	1,734,629	–	10,254,340
Elimination on revaluation	(5,731,540)	–	–	–	–	(5,731,540)
Written-off	–	(888,983)	(314,296)	(6,065,023)	(209,994)	(7,478,296)
At 30 June 2013	$ –	$ 4,850,155	$ 569,264	$ 4,778,828	$ 2,084,246	$ 12,282,493
Carrying values:						
At 30 June 2013	$ 303,419,521	$ 9,204,946	$ 906,765	$ 5,198,992	$ 103,110	$ 318,833,334
At 30 June 2012	$ 250,687,668	$ 10,215,317	$ 1,186,570	$ 6,592,467	$ 99,574	$ 268,781,596
Representing:						
Cost	$ –	$ 14,055,101	$ 1,476,029	$ 9,977,820	$ 2,187,356	$ 27,696,306
Valuation	303,419,521	–	–	–	–	303,419,521
At 30 June 2013	$ 303,419,521	$ 14,055,101	$ 1,476,029	$ 9,977,820	$ 2,187,356	$ 331,115,827
Representing:						
Cost	$ –	$ 13,399,475	$ 1,804,076	$ 15,687,804	$ 2,361,990	$ 33,253,345
Valuation	250,687,668	–	–	–	–	250,687,668
At 30 June 2012	$ 250,687,668	$ 13,399,475	$ 1,804,076	$ 15,687,804	$ 2,361,990	$ 283,941,013

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

14 Properties and equipment (Continued)

The Group's interest in land and buildings held for own use represents three office units and a carparking space located in the Hong Kong and PRC (2012: three office units and a carparking space located in the Hong Kong and PRC) which are held on medium lease of less than 50 years remaining. The land and buildings held for own use were revalued at 30 June 2013 by RHL Appraisal Limited, an independent firm of chartered surveyors employed by the Group, on the basis of open market value. The revaluation surplus (net of with the related deferred tax) of $49,797,812 (2012: $1,355,265) was credited to the properties revaluation reserve. If land and buildings held for own use had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of $222,281,563 (2012: $227,192,293).

Land and buildings held for own use with a carrying amount of approximately $265 million (2012: $218 million) have been pledged to secure a mortgage loan of $103 million.

15 Intangible assets

	Group			
	Membership of Chinese Gold & Silver Exchange Society	**Club memberships**	**Exchange trading rights**	**Total**
Cost				
At 1 July 2011, 30 June 2012, 1 July 2012 and 30 June 2013	$ 280,000	$ 590,000	$ 1,554,670	$ 2,424,670
Impairment				
At 1 July 2011, 30 June 2012, 1 July 2012 and 30 June 2013	$ –	$ 70,000	$ 23,529	$ 93,529
Carrying amount				
At 30 June 2013	**$ 280,000**	**$ 520,000**	**$ 1,531,141**	**$ 2,331,141**
At 30 June 2012	$ 280,000	$ 520,000	$ 1,531,141	$ 2,331,141

16 Interests in subsidiaries

	Company	
	2013	2012
Unlisted shares, at cost	**$ 279,272,358**	$ 278,264,358
Less: Impairment loss	**(66,000,000)**	(66,000,000)
	$ 213,272,358	$ 212,264,358

Particulars of the significant subsidiaries of the Group are set out in note 34.

The recoverable amount of the investment in subsidiaries is determined by using the net asset value of each respective subsidiary for the impairment assessment.

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

17 Interests in associates and loan to an associate

	Group	
	2013	2012
Carrying amount of unlisted associates	**$ 15,906,884**	$ 15,595,643

The following list contains only the particulars of significant associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

Name	Form of business structure	Place of incorporation/ operations	Principal activities	Particulars of issued shares	Interest indirectly held	
					2013	2012
KCG Capital Holdings Limited	Incorporated	British Virgin Islands	Investment holding	20,000,000 ordinary shares of $1 each	**30%**	30%
KCG Securities Asia Limited	Incorporated	Hong Kong	Securities brokerage	20,000,000 ordinary shares of $1 each	**30%**	30%
Sinochem Kingsway Capital Inc.	Incorporated	Cayman Islands	Investment holding	100,000 ordinary shares of $0.1 each	**30%**	30%
Laurel Capital Kingsway (Cayman) Limited	Incorporated	Cayman Islands	Investment holding	100 ordinary shares of US$1 each	**30%**	30%

Summarised financial information of associates:

	Assets	Liabilities	Net Assets	Revenue	Profit/(loss)
2013					
100 per cent	**$ 210,023,519**	**$ 157,030,282**	**$ 52,993,237**	**$ 12,576,596**	**$ 1,029,782**
Group's effective interest	**$ 63,007,056**	**$ 47,109,085**	**$ 15,906,884**	**$ 3,772,979**	**$ 311,241**
2012					
100 per cent	$ 111,437,366	$ 59,473,911	$ 51,963,455	$ (238,303)	$ (12,402,946)
Group's effective interest	$ 33,431,210	$ 17,842,173	$ 15,595,643	$ (71,491)	$ (3,714,277)

An associate returned surplus capital of $11.4 million to the Group in the past financial year.

As at 30 June 2013, the Group granted to an associate a pro-rata shareholders' loan of British Pound 100,000, which was equivalent to $1,181,870 (2012: British Pound 100,000, which was equivalent to $1,210,930). The loan, which was renewed in 2012, is unsecured, interest-bearing at 2% per annum and repayable in two years from the date of the loan agreement (2012: repayable in one year from the date of the loan agreement).

The recoverable amount of the investment in associates is determined by using the net asset value of each respective associate and the fair value of the listed securities held by an associate for the impairment assessment. No impairment was recognised in either year.

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

18 Available-for-sale investments

		Group			
	Notes		**2013**		2012
Unlisted investments:					
– Investment funds at fair value	*(a)*	**$**	**20,997,901**	$	20,140,562
– Partnership shares at cost	*(b)*		**7,995,389**		7,995,389
Listed investment:					
– Equity security at fair value	*(c)*		**–**		10,652,793
		$	**28,993,290**	$	38,788,744
Analysed for reporting purposes as:					
Non-current assets		**$**	**28,993,290**	$	28,135,951
Current assets			**–**		10,652,793
		$	**28,993,290**	$	38,788,744

Notes:

(a) The fair values of the investment funds are based on the net asset values of the investment funds reported to the Trustee by the administrators as of the end of the reporting period.

(b) The Group purchased partnership warrants from a fellow subsidiary for US$100,000 (equivalent to $780,000) and exercised them by subscribing for 13,215 limited partnership shares at US$70 per share in previous financial year. The limited partnership shares are stated at cost because their fair value cannot be measured reliably as the variability in the range of reasonable fair value estimates is significant.

(c) During the current year, the Group disposed of its investment in an equity security listed in Hong Kong. Pursuant to the investment agreement entered into with the vendors in 2011, the vendors guaranteed a minimum amount of the consolidated audited net profit of the investee company for the years ended 30 June 2010, 2011 and 2012. During the current year, the vendors made payments of $7,816,800 to the Group based on an agreed percentage of the shortfall of the guaranteed profit as reduction of the investment cost of the Group in this year.

During the last year, the cumulative fair value changes that had been recognised in other comprehensive income was reclassified from investments revaluation reserve to profit or loss as a reclassification adjustment and the accumulated fair value changes on available-for-sale investments was recognised as impairment loss on available-for-sale investments as there is objective evidence that the investments were impaired.

Notes to the Consolidated Financial Statements

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19 Other receivable

During the year ended 30 June 2011, the Group deposited an amount of $40,000,000 (the "Escrow Funds"), into an escrow account maintained by an international law firm in Hong Kong pursuant to the terms of an escrow agreement dated 28 March 2011. As has been widely reported, a partner of the law firm with which the funds were deposited has been arrested by the Hong Kong Police and charged with theft and forgery with respect to monies held in the law firm's escrow account. In August 2013, it was reported that the partner pleaded guilty to fraud and money laundering and was sentenced to jail for 12 years.

The law firm has not returned the Escrow Funds despite a demand for payment by the Group. The Group has commenced legal proceedings against the law firm and its partners for recovery of the Escrow Funds. The Group's legal counsel has reviewed the documentary evidence in respect of the escrow agreement, has analysed the legal duties and obligations of the law firm arising from the terms of the escrow agreement and has analysed the legal and professional duties and obligations of the law firm arising from the receipt of the Escrow Funds (which were client monies and held in trust). The Group's legal counsel is of the opinion that the Group has good prospects on succeeding on its claim to recover the Escrow Funds and that it is very likely that any judgement obtained would be satisfied. However, there might be a reduction in the ultimate recovery of the Escrow Funds by the amount of the service fees paid to the Group and legal fees and expenses for the lawsuit which might not be entirely recovered.

The management of the Group currently considers that the Escrow Funds excluding the fees paid to the Group and the legal fees and expenses for the lawsuit would be recovered eventually, taking into account the nature of the escrow agreement and the opinion of Group's legal counsel as set forth above. Moreover, in the event of the Group might not recover the Escrow Funds in full, the management will take all possible courses of action in order to recover the remaining amount from the assets of the partners of the law firm if necessary.

As the timing of recovering this amount is expected to be more than twelve months, the Group has discounted the Escrow Funds by using the effective interest method. Taking into account the change of estimated time of recovery, the allowance was adjusted accordingly.

20 Other financial assets

	Group	
	2013	2012
Statutory deposits	**$ 7,455,782**	$ 5,648,558
Other deposits and receivables	**1,803,683**	1,803,683
	$ 9,259,465	$ 7,452,241

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

21 Financial assets at fair value through profit or loss

	Note	Group 2013	Group 2012
Held for trading investments include:			
Listed equity securities, at quoted bid price			
– in Hong Kong		**$ 113,832,408**	$ 86,516,934
– outside Hong Kong		**1,656,353**	–
Listed debt securities, at quoted bid price			
– in Hong Kong		**7,958,777**	7,975,776
– outside Hong Kong		**15,571,727**	19,310,834
		$ 139,019,265	$ 113,803,544
Unlisted investments, at fair value			
– derivative instruments	*(a)*	**$ –**	$ –
		$ 139,019,265	$ 113,803,544

Note:

(a) Fair value of unlisted options issued by a listed company was determined using a Black – Scholes model. The expected volatility was based on the historic volatility, and calculated based on the contractual life of share options. The options provided the right to the Group to purchase 1,500,000 shares of this listed company at an exercise price of $3.2 per share after the share consolidation completed in August 2011 and were expired and unexercised on 17 January 2013.

22 Accounts, loans and other receivables

	Notes	Group 2013	Group 2012	Company 2013	Company 2012
Accounts and loans receivables					
Amounts due from brokers and clearing houses	*(a)*	**$ 39,136,528**	$ 56,034,813	**$ –**	$ –
Amounts due from margin clients	*(b)*	**67,977,592**	65,899,581	**–**	–
Amounts due from cash clients	*(c)*	**51,273,828**	14,292,207	**–**	–
Fixed-rate loans receivable	*(d)*	**23,000,000**	–	**–**	–
Other accounts receivable	*(e)*	**7,068,759**	5,094,898	**–**	–
		$ 188,456,707	$ 141,321,499	**$ –**	$ –
Less: Impairment losses		**(4,636,359)**	(4,418,098)	**–**	–
		$ 183,820,348	$ 136,903,401	**$ –**	$ –
Prepayments, deposits and other receivables		**5,231,732**	7,878,816	**178,594**	205,688
		$ 189,052,080	$ 144,782,217	**$ 178,594**	$ 205,688

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

22 Accounts, loans and other receivables (Continued)

Notes:

(a) Amounts due from brokers and clearing houses are required to be settled on the settlement date 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 30 June 2013, the Group held $5,002,050 (2012: $5,857,612) with SEOCH and $8,274,237 (2012: $14,866,860) with HKFECC in trust for clients which were not dealt with in these consolidated financial statements.

The amount due from a broker of $13,370,119 (2012: $7,161,310) was pledged as securities for the stock borrowing transactions.

(b) Margin clients of the brokerage division are required to pledge securities 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 30 June 2013, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately $1,125 million (2012: $470 million). The amounts due from margin clients are repayable on demand and bear interest at commercial rates.

(c) There are no credit terms 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 date determined under the relevant market practices or exchange rules.

(d) The credit terms for loans granted by the Group's brokerage division are set by management with reference to the financial background and the value and nature of collateral pledged by the borrowers. The fixed-rate loans receivable secured by personal/corporate guarantee and/or by marketable securities listed on the AIM Board of The London Stock Exchange.

The balance included a fixed-rate loan receivable amounting to $15 million which was repaid in August 2013.

(e) The balance included an amount of $60,000 (2012: $70,000) receivable from an associate arising from normal business transactions. The Group normally allows credit periods of up to 30 days to customers, except for certain creditworthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period.

The ageing analysis of accounts and loans receivables net of allowance for doubtful debts that were past due at the end of the reporting period but not impaired is as follows:

	Group		Company	
	2013	2012	**2013**	2012
Within one month past due	**$ 1,007,693**	$ 115,000	**$ –**	$ –
More than one month and within three months past due	**1,009,430**	1,323,590	**–**	–
More than three months past due	**1,672,342**	1,664,837	**–**	–
	$ 3,689,465	$ 3,103,427	**$ –**	$ –

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

22 Accounts, loans and other receivables (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
Current and within one month	**$ 180,130,883**	$ 133,799,974	**$ –**	$ –
More than one month and within three months	**1,547,123**	1,373,591	**–**	–
More than three months	**2,142,342**	1,729,836	**–**	–
	$ 183,820,348	$ 136,903,401	**$ –**	$ –

The movements in the allowance for impairment for the Group were as follows:

	Amounts due from margin clients	**Other accounts receivable**	**Total**
At 1 July 2011	$ 3,581,990	$ 35,500	$ 3,617,490
Amounts written off as uncollectible	–	(200,000)	(200,000)
Impairment losses recognised on receivables	608	1,000,000	1,000,608
At 30 June 2012 and 1 July 2012	$ 3,582,598	$ 835,500	$ 4,418,098
Amounts written off as uncollectible	–	(635,588)	(635,588)
Impairment losses recognised on receivables	248,661	605,188	853,849
At 30 June 2013	$ 3,831,259	$ 805,100	$ 4,636,359

Impairment losses in respect of accounts, loans and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts, loans and other receivables directly.

Impairments of accounts, loans and other receivables are made in the consolidated income statement after proper review by the senior management, based on the latest status of the receivables, and the latest announced or available information about the underlying collateral held.

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

23 Amounts due from subsidiaries

The non-current amounts due from subsidiaries are unsecured, interest free and will not be repayable within 12 months except for the amount due from a subsidiary of $117,080,260 (2012: $118,862,169) bearing interest at 2.3% above HIBOR.

The current amounts due from subsidiaries are unsecured, repayable on demand and interest-free except for the amount due from a subsidiary of $91,852,000 (2012: $119,082,552) bearing interest at 1.75%-2% above HIBOR. The Company assesses at the reporting date whether or not there is objective evidence that the amounts due from subsidiaries are impaired and no impairment was noted.

24 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 30 June 2013, segregated clients' accounts not otherwise dealt with in these consolidated financial statements amounted to $865,534,572 (2012: $380,850,382).

25 Accruals, accounts and other payables

	Group		Company	
	2013	2012	**2013**	2012
Accounts payable (current and within one month)				
Amounts due to brokers and clearing houses	**$ 23,334,919**	$ 6,108,793	**$ –**	$ –
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	**23,933,957**	67,991,540	**–**	–
Others	**2,728,383**	15,009,704	**–**	–
	$ 49,997,259	$ 89,110,037	**$ –**	$ –
Other creditors, accruals and other provision	**15,739,237**	22,880,585	**678,264**	659,074
	$ 65,736,496	$ 111,990,622	**$ 678,264**	$ 659,074

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

26 Bank loans

	Note	Group 2013	Group 2012	Company 2013	Company 2012
Secured bank loan	*(a)*	**$ 103,000,000**	$ 103,000,000	**$ –**	$ –
Unsecured bank loans	*(b)*	**51,000,000**	–	**20,000,000**	–
		$ 154,000,000	$ 103,000,000	**$ 20,000,000**	$ –

The bank loans are repayable as follows:

	Group 2013	Group 2012	Company 2013	Company 2012
Within one year	**$ 71,600,000**	$ –	**$ 20,000,000**	$ –
More than one year, but not exceeding two years	**82,400,000**	20,600,000	**–**	–
More than two years, but not exceeding five years	**–**	82,400,000	**–**	–
	$ 154,000,000	$ 103,000,000	**$ 20,000,000**	$ –
Less: Amounts due within one year shown under current liabilities	**(71,600,000)**	–	**(20,000,000)**	–
Amounts shown under non-current liabilities	**$ 82,400,000**	$ 103,000,000	**$ –**	$ –

Notes:

(a) The bank loan is secured by the Group's land and building held for own use located in Hong Kong (see note 14). The amount due is based on the scheduled repayment dates stated in the loan agreement with interest bearing at 2.3% above HIBOR.

(b) The bank loans were unsecured, bear interest at 0.6%-2.5% per annum and were fully repaid in July 2013.

Some of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 35. As at 30 June 2013 none of the covenants relating to drawn down facilities had been breached.

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27 Deferred taxation

(a) DEFERRED TAX LIABILITIES RECOGNISED

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation and revaluation	Tax losses	Total
At 1 July 2011	$ 252,199	$ –	$ 252,199
Charge to consolidated income statement	762,851	–	762,851
Charge to properties revaluation reserve	4,627,534	–	4,627,534
At 30 June 2012 and 1 July 2012	$ 5,642,584	$ –	$ 5,642,584
Charge/(credit) to consolidated income statement	662,346	(1,677,396)	(1,015,050)
Charge to properties revaluation reserve	8,665,581	–	8,665,581
At 30 June 2013	$ 14,970,511	$ (1,677,396)	$ 13,293,115

(b) DEFERRED TAX ASSETS NOT RECOGNISED

At 30 June 2013, the Group have unused estimated tax losses of approximately $425 million (2012: $421 million). A deferred tax asset of $1,677,396 (2012: Nil) has been recognised in respect of tax losses of approximately $10 million (2012: Nil). The Group have not recognised deferred tax asset in respect of the remaining tax losses of approximately $415 million (2012: $421 million) due to the unpredictability of future profit streams. The tax losses will not expire under current tax regulation.

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

28 Share capital

	2013			2012		
	No. of shares		**Amount**	No. of shares		Amount
Authorised:						
Ordinary shares of $0.1 each	**10,000,000,000**	**$**	**1,000,000,000**	10,000,000,000	$	1,000,000,000
Issued and fully paid:						
Ordinary shares of $0.1 each	**3,681,043,906**	**$**	**368,104,391**	3,681,043,906	$	368,104,391

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The Company issued a total of 216,410,000 warrants to the independent third party placees on 23 November 2010 and 17 December 2010. No warrant was exercised and all warrants were expired in the past financial year.

Capital management

The Group's objective for capital management is to safeguard the Group's ability to continue as a going concern, to enhance shareholder value and to match the business funding needs. The Group manages its capital structure and makes adjustments to it in line with the changes in economic conditions and business strategies by adjusting the dividend payout ratio, returning capital to shareholders or issuing new shares. During the years ended 30 June 2013 and 2012, the Group consistently followed the objectives and applied the policies and process on managing capital.

The Company is not subject to externally imposed capital requirements. Certain subsidiaries of the Company are subject to regulatory imposed capital and liquid capital requirements (Note 35). These subsidiaries complied with those requirements at all times during both the current and past financial years.

The Group monitors capital using a target gearing ratio of 0 – 35% (2012: 0 – 25%), which is total borrowings divided by the shareholders' equity. The targeted gearing ratio increased from 25% to 35% in order to accommodate the expansion of the proprietary investments business. Total borrowing comprises of bank borrowing and shareholders' equity comprises all components of equity attributable to the owners of the Company. The gearing ratio at year-end was as follows:

		2013		2012
Total borrowing	**$**	**154,000,000**	$	103,000,000
Equity attributable to owners of the Company	**$**	**573,860,191**	$	537,048,778
Gearing ratio		**27%**		19%

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29 Equity settled share-based transactions

The Company has a share option scheme which was adopted on 10 November 2010 whereby the directors of the Company are authorised, at their discretion, to invite full-time employees, including executive directors of the Company and its subsidiaries, to take up options to subscribe for shares of the Company. Details of the share option scheme are disclosed under the section "Share Options" in the report of the directors.

Details of the options granted are as follows:

Date of grant	Vesting period	Exercise period	Number of share options	Exercise price	Fair value at grant date
11/01/2011	11/01/2011–11/01/2013	11/01/2011–10/01/2014	99,000,000	$ 0.345	$ 0.09-0.14

The options granted is vested at the beginning of each year during the vesting period and only up to one-third of the options can be exercised in any 12-month period.

The fair value of the options granted on 11 January 2011 was $11,550,000. The Group recognised the total expense of $1,358,000 for the year ended 30 June 2013 (2012: $4,270,667) in relation to share options granted by the Company. The fair value was determined using the Black-Scholes pricing model. Expected volatility was based on the historical volatility, and calculated based on the expected life of the share options. The expected life used in the model has been adjusted, based on the management's best estimate. Expected dividend yield was based on historical dividends. Risk-free rate was based on the approximate yields to maturity of Hong Kong Exchange Fund Note.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model

Grant date share price	$ 0.345
Exercise price	$ 0.345
Expected volatility	57.9% – 76.4%
Expected life	1.5 years – 2.5 years
Expected dividend yield	2.99%
Risk-free rate	0.42% – 0.74%

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

29 Equity settled share-based transactions (Continued)

The following table discloses movements of the Company's share options held by directors and employees during the year.

	Outstanding at 1 July 2012	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 30 June 2013
Directors	**70,000,000**	**–**	**–**	**–**	**–**	**70,000,000**
Employees	**29,000,000**	**–**	**–**	**–**	**–**	**29,000,000**
	99,000,000	**–**	**–**	**–**	**–**	**99,000,000**
Exercisable at the end of the year						**99,000,000**
Weighted average exercise price	**$ 0.345**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 0.345**

The following table discloses movements of the Company's share options held by directors and employees during the prior year.

	Outstanding at 1 July 2011	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 30 June 2012
Directors	70,000,000	–	–	–	–	70,000,000
Employees	29,000,000	–	–	–	–	29,000,000
	99,000,000	–	–	–	–	99,000,000
Exercisable at the end of the year						66,000,000
Weighted average exercise price	$ 0.345	$ –	$ –	$ –	$ –	$ 0.345

Notes to the Consolidated Financial Statements

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30 Reserves

THE COMPANY

	Contributed surplus	Share premium	Share options reserve	Warrants reserve	Retained profits	Total
At 1 July 2011	$ 176,492,129	$ 91,625,739	$ 5,921,333	$ 21,641	$ 30,899,367	$ 304,960,209
Loss for the year	–	–	–	–	(19,448,084)	(19,448,084)
Recognition of equity-settled share-based payments	–	–	4,270,667	–	–	4,270,667
Warrants lapsed	–	–	–	(21,641)	21,641	–
Dividends paid						
– 2011, final	(25,767,307)	–	–	–	–	(25,767,307)
– 2012, interim	–	–	–	–	(7,362,088)	(7,362,088)
At 30 June 2012	$ 150,724,822	$ 91,625,739	$ 10,192,000	$ –	$ 4,110,836	$ 256,653,397
At 1 July 2012	**$ 150,724,822**	**$ 91,625,739**	**$ 10,192,000**	**$ –**	**$ 4,110,836**	**$ 256,653,397**
Profit for the year	**–**	**–**	**–**	**–**	**4,317,426**	**4,317,426**
Recognition of equity-settled share-based payments	**–**	**–**	**1,358,000**	**–**	**–**	**1,358,000**
Dividends paid						
– 2012, final	**(9,202,610)**	**–**	**–**	**–**	**–**	**(9,202,610)**
– 2013, interim	**–**	**–**	**–**	**–**	**(7,362,088)**	**(7,362,088)**
At 30 June 2013	**$ 141,522,212**	**$ 91,625,739**	**$ 11,550,000**	**$ –**	**$ 1,066,174**	**$ 245,764,125**

30 Reserves (Continued)

The movement in the Group's reserves has been disclosed in the consolidated statement of changes in equity and the nature and purpose of reserves of the Group and the Company is as follows:

Share premium

The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

Special reserve

The special reserve of the Group represents the difference between the aggregate of the nominal value and the share premium of the shares of SW Kingsway Capital Group Limited at the date of acquisition by the Company and the nominal value of the shares of the Company issued for the acquisition at the time of the Reorganisation on 10 August 2000.

Capital reserve on consolidation

The capital reserve on consolidation of the Group represents negative goodwill arising from acquisitions prior to 1 July 2001.

Share options reserve

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments.

Warrants reserve

The warrants reserve is comprised of the fair value of the actual number of unexercised warrants at the grant date.

Exchange reserve

The exchange reserve has been set up and will be dealt with in accordance with the accounting policies adopted for foreign currency translation.

Properties revaluation reserve

The properties revaluation reserve was set up to deal with the surplus or deficit arising from the revaluation of land and buildings held for own use.

Investments revaluation reserve

The investments revaluation reserve was set up to deal with the fair value changes arising from available-for-sale investments.

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

30 Reserves (Continued)

Contributed surplus

The contributed surplus of the Company represents the difference of $271,022,350 between the fair value of the shares of the subsidiary acquired pursuant to the Reorganisation on 10 August 2000 over the nominal value of the Company's shares issued in exchange, net of $39,712,470 which was capitalised as a result of the bonus issue and dividend paid amounting to $89,787,668 in current and prior years.

The proposed final dividend for the year ended 30 June 2013 of $11,043,132 (2012: $9,202,610) will be paid from the contributed surplus after the approval by the shareholders at the forthcoming general meeting.

Under the Companies Act 1981 of Bermuda, a company may make distributions to its shareholders out of contributed surplus in accordance with section 54 thereof.

31 Contingent liabilities

	Company	
	2013	2012
Guarantees for banking facilities to subsidiaries	**$ 367,200,000**	$ 387,200,000
Other guarantees to a subsidiary	**3,000,000**	13,000,000
Total	**$ 370,200,000**	$ 400,200,000

32 Commitments

(a) CAPITAL COMMITMENTS

	Group	
	2013	2012
Contracted but not provided for – equipment	**$ 837,308**	$ 1,400,665

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

32 Commitments (Continued)

(b) COMMITMENTS UNDER OPERATING LEASES AS LESSEE

As at 30 June 2013 and 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and office equipment which fall due as follows:

	2013				2012			
		Rental premises		Hired equipment		Rental premises		Hired equipment
Not later than 1 year	$	**2,365,000**	$	**376,800**	$	2,580,000	$	–
Later than 1 year and not later than 5 years		**4,730,000**		**1,130,400**		7,095,000		–
	$	**7,095,000**	$	**1,507,200**	$	9,675,000	$	–

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

33 Related party and connected party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party and connected party transactions.

(a) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 10(a), is as follows:

		2013		2012
Fees	$	**2,450,000**	$	2,800,556
Salaries, commissions and other allowance		**7,336,649**		8,712,475
Bonuses		**–**		–
Equity settled share-based payment		**928,667**		3,289,333
Retirement scheme contributions		**120,000**		109,000
	$	**10,835,316**	$	14,911,364

Total remuneration is included in "staff costs" (see note 7(b)).

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

33 Related party and connected party transactions (Continued)

(b) OTHERS

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	**2013**	2012
Brokerage commission earned on securities, options, futures and commodities dealing	*(a)*		
– fellow subsidiaries		**$ 3,352**	$ 6,425
– non-controlling interest of a non-wholly owned subsidiary		**–**	1,509,955
– Group's directors and their close family members		**296,703**	297,349
Common office expenses recharged	*(b)*		
– a fellow subsidiary		**1,371,000**	834,620
Consultancy and management fees received	*(c)*		
– a fellow subsidiary		**540,000**	540,000
– an associate		**60,000**	70,000
Secretarial fee earned	*(d)*		
– fellow subsidiaries		**26,500**	32,000
– associates		**8,190**	20,910
– companies controlled by a Group's director		**14,040**	13,260

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 service fee is primarily based on the percentage of floor area occupied by each company.

(c) The fees mainly comprised a fixed monthly charge as agreed between the parties involved.

(d) The fee was charged at rates similar to those normally charged to third party clients.

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34 Particulars of significant subsidiaries

The following is a list of the significant subsidiaries as at 30 June 2013 and 2012:

Name	Place of incorporation/ operations	Issued and fully paid share capital	Principal activities	% of ordinary shares held by the Company Directly 2013	Directly 2012	Indirectly 2013	Indirectly 2012
Bill Lam & Associates Limited	Hong Kong	Ordinary shares $20	Provision of corporate services	**–**	–	**100%**	100%
Billion On Development Limited	Hong Kong	Ordinary shares $10,000	Property holding and securities investment	**–**	–	**100%**	100%
Kingsway Asset Management Group Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Festival Developments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–
Kingsway Capital Limited	Hong Kong	Ordinary shares $10,779,002	Provision of financial advisory services	**–**	–	**100%**	100%
Kingsway China Investments Limited	Hong Kong/People's Republic of China	Ordinary shares $2	Investment holding	**–**	–	**100%**	100%
Kingsway Financial Services Group Limited	Hong Kong	Ordinary shares $300,000,000	Securities, options and futures brokerage	**–**	–	**100%**	100%
Kingsway Gold Bullion Limited	Hong Kong	Ordinary shares $6,000,000	Gold bullion brokerage	**–**	–	**100%**	100%
Kingsway Group Services Limited	Hong Kong	Ordinary shares $100,000	Provision of management services	**–**	–	**100%**	100%
Kingsway Lion Spur Technology Limited	British Virgin Islands/ Hong Kong	Ordinary share US$1	Securities investment	**–**	–	**100%**	100%
Sunwah Kingsway Investments Limited (Formerly known as Kingsway Real Estate Services Limited)	Hong Kong	Ordinary share $1	Investment holding	**–**	–	**100%**	100%
Sunwah Capital Holdings Limited	Hong Kong	Ordinary share $1	Property holdings	**–**	–	**100%**	100%
Kingsway SW Asset Management Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$475,000 (2012: US$375,000)	Provision of investment advisory services	**–**	–	**100%**	100%

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34 Particulars of significant subsidiaries (Continued)

Name	Place of incorporation/ operations	Issued and fully paid share capital	Principal activities	% of ordinary shares held by the Company Directly 2013	Directly 2012	Indirectly 2013	Indirectly 2012
Kingsway SW Finance Limited	Hong Kong	Ordinary shares $50,000	Provision of loan services and financing	**–**	–	**100%**	100%
SW Kingsway Capital Group Limited	British Virgin Islands	Ordinary shares US$38,750,000	Investment holding	**100%**	100%	**–**	–
Primo Results Limited	Hong Kong	Ordinary share $1	Securities investment	**–**	–	**100%**	100%
Best Advisory Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Primo Performance Limited	Hong Kong	Ordinary shares $1	Investment holding	**–**	–	**100%**	100%
Dragon Tycoon (HK) Holdings Limited	Hong Kong	Ordinary shares $1	Investment holding	**–**	–	**100%**	100%
Dragon Sphere (HK) Holdings Limited	Hong Kong	Ordinary shares $1	Investment holding	**–**	–	**100%**	100%
Dragon Force Enterprises Limited	British Virgin Islands	Ordinary shares US$1	Investment holding	**–**	–	**100%**	100%
Dragon Sphere Holdings Limited	British Virgin Islands	Ordinary shares US$1	Investment holding	**–**	–	**100%**	100%
Dragon Tycoon Investments Limited	British Virgin Islands	Ordinary shares US$1	Investment holding	**–**	–	**100%**	100%
Golden Bloom Developments Limited	British Virgin Islands	Ordinary shares US$1	Investment holding	**–**	–	**100%**	100%
Magic Year Investments Limited	British Virgin Islands	Ordinary shares US$1	Investment holding	**–**	–	**100%**	100%
Ultimate Bloom Investments Limited	British Virgin Islands	Ordinary shares US$1	Investment holding	**–**	–	**100%**	100%
Sunwah Kingsway Finance Limited	Hong Kong	Ordinary shares $1	Investment holding	**–**	–	**100%**	–
Kingsway SW Securities Limited	Hong Kong	Ordinary shares $2	Investment holding	**–**	–	**100%**	100%

35 Financial instruments

The financial assets of the Group and the Company include financial assets at fair value through profit or loss, available-for-sale investments, and loans and receivables excluding prepayments. The carrying amounts of which are set out in the consolidated statement of financial position and the corresponding disclosure notes. The financial liabilities of the Group represent the accounts and other payables are set out in note 35(b).

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.

35 Financial instruments (Continued)

(a) CREDIT RISK

Credit risk arises from a number of areas. These include the possibility that a counterparty in a transaction may default during the settlement process. It also arises from lending, settlement, treasury, market making, proprietary trading and other activities undertaken by the Group.

The Group's Finance and Credit Committees are responsible for establishing the credit approval and monitoring procedures, which are in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by the Hong Kong Securities and Futures Commission.

Day-to-day credit management is performed by the Operations Department with reference to the aforementioned criteria including creditworthiness, collateral pledged and risk concentration of the counterparties. The Finance Committee and Credit Committee are responsible for review of guidelines on credit limits on a regular basis and approval of specific loans or advances if the amount exceeds our pre-set guideline.

Accounts, loans and other receivables consist of amounts due from brokers, clearing houses, clients, term loans, loan to an associate and other receivable items. In respect of advances to clients, the Group generally requires collateral from clients before advances are granted. Collateral normally takes the form of listed securities or cash deposits. Amounts due from brokers are treated as lower credit risk as counterparties are reputable financial institutions. In view of the aforementioned and the fact that the Group's accounts, loans and other receivables relate to a large number of diversified customers and counterparties, the Group does not have any significant concentration of credit risk.

The credit risk on listed debt securities is limited because the issuers are companies listed in Hong Kong. Investment in unlisted derivative financial instruments are governed by whether the issuers have good credit ratings. The latest financial position of the issuers will be reported to senior management for considering of the credit risk of these investments.

The Group is also exposed to credit risk with regards to a deposit into an escrow account maintained by a law firm, the details of which are disclosed in notes 19 and 37.

The maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is represented by the carrying value of each financial asset. Except for the financial guarantees given by the Company as set out in note 31, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of corporate guarantee at the end of the reporting period is disclosed in note 31.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, senior management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over the receivables that were past due but not impaired.

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35 Financial instruments (Continued)

(a) CREDIT RISK (Continued)

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts, loans and receivables are set out in note 22.

The Company's credit risk is primarily attributable to amounts due from subsidiaries. The Company manages this risk by assessing the financial positions of subsidiaries on a regular basis.

(b) LIQUIDITY RISK

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

The following table details the maturities analysis at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	Group					
	Carrying amount	Repayment on demand or within one month	More than one month but within three months	More than three months but within one year	More than one year but within five years	Total undiscounted cash flows
As 30 June 2013						
Accounts and other payables	$ 50,010,176	$ 50,010,176	$ –	$ –	$ –	$ 50,010,176
Bank loans	154,000,000	56,909,374	–	17,317,273	83,960,728	158,187,375
	$ 204,010,176	**$ 106,919,550**	**$ –**	**$ 17,317,273**	**$ 83,960,728**	**$ 208,197,551**
As 30 June 2012						
Accounts and other payables	$ 93,838,983	$ 93,838,983	$ –	$ –	$ –	$ 93,838,983
Bank loans	103,000,000	701,495	–	2,089,880	107,148,998	109,940,373
	$ 196,838,983	$ 94,540,478	$ –	$ 2,089,880	$ 107,148,998	$ 203,779,356

The Company's policy is to regularly monitor its liquidity requirements including dividend payments to shareholders, payments of accrued expenses and bank loans to ensure that sufficient reserves of cash is maintained to satisfy its contractual and foreseeable obligations as they fall due. The financial guarantee contracts in note 31 represent the maximum amounts that could be required to be paid on demand if the guarantees were called upon in entirety.

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35 Financial instruments (Continued)

(b) LIQUIDITY RISK

The following table details the maturities analysis at the end of the reporting period of the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Company can be required to pay:

	Company					
	Carrying amount	Repayment on demand or within one month	More than one month but within three months	More than three months but within one year	More than one year but within five years	Total undiscounted cash flows
As 30 June 2013						
Accounts and other payables	$ 1,644	$ 1,644	$ –	$ –	$ –	$ 1,644
Bank loans	20,000,000	20,041,985	–	–	–	20,041,985
Guarantees to subsidiaries	370,200,000	370,200,000	–	–	–	370,200,000
	$ 390,201,644	$ 390,243,629	$ –	$ –	$ –	$ 390,243,629
As 30 June 2012						
Guarantees to subsidiaries	$ 400,200,000	$ 400,200,000	$ –	$ –	$ –	$ 400,200,000

(c) PRICE RISK

The Group is exposed to price changes arising from investments classified as financial assets at fair value through profit or loss and available-for-sales investments.

The Group's listed equity investments and listed debt securities are mainly listed on the Stock Exchange of Hong Kong and the Singapore Exchange Securities Trading Limited respectively. Decisions to buy or sell trading securities and available-for-sales investment are rested with assigned investment managers and governed by specific investment guidelines. The Board has set up the Investment Monitoring Committee ("IMC") for the purposes of independently monitoring the positions of its proprietary trading activities involving equities, derivatives and investment funds. In addition to the IMC, the Group's exposures are closely monitored by the Finance Department and senior management on a daily basis and are measured on a "mark-to-market" basis. The Group's various proprietary trading activities are reported monthly to senior management for review.

For sensitivity analysis purpose of listed equity investments, it is assumed that the market price of the Tracker Fund of Hong Kong increased/decreased in line with the movement of the Hang Seng Index. The risk exposure was quantified by comparing the Group's portfolio beta to the beta of Tracker Fund of Hong Kong. Assuming a 10% upward/downward movement in the Hang Seng Index with all other variables held constant at the end of the reporting period, the Group's loss before tax would have decreased/increased by an estimated $11,179,000 (2012: $7,068,000).

For listed debt securities, it is assumed that the yield of individual debt increased/decreased by 50 basis points and all other variables held constant at the end of the reporting period, the Group's loss before tax would have an estimated increase/decrease of $540,000 (2012: $404,000).

For unlisted investment funds, it is assumed that the unit price of the funds increased/decreased by 10% and all other variables held constant at the end of the report period, the Group's investments revaluation reserve would have an estimated increase/decrease of $2,099,000 (2012: $2,014,000).

In management's opinion, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

35 Financial instruments (Continued)

(d) FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings or capital arising from movements of foreign exchange rates. Foreign exchange risk is monitored by the Finance Department and senior management on a daily basis. Certain financial assets are measured daily on a "mark-to-market" basis as appropriate. Other financial assets and liabilities are revalued regularly using the market exchange rates. Overall positions are reported monthly to senior management for review.

The Group's foreign exchange risk primarily arises from currency exposures originating from certain financial assets and liabilities. Principal brokerage and lending operations are mainly carried out in local currency to obviate foreign exchange risk. Accordingly, the Group has no significant exposure to foreign exchange fluctuations on accounts and loans receivables.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	USD	RMB	GBP	SGD	Others
At 30 June 2013					
Other financial assets	**$ 390,763**	**$ –**	**$ –**	**$ –**	**$ –**
Loan to an associate	**–**	**–**	**1,181,870**	**–**	**–**
Available-for-sale investments	**28,993,290**	**–**	**–**	**–**	**–**
Financial assets at fair value through profit or loss	**23,530,503**	**–**	**1,656,353**	**–**	**–**
Accounts, loans and other receivables	**749,758**	**65,277**	**143,243**	**42,473**	**6,170,751**
Cash and cash equivalents	**14,036,596**	**7,150,902**	**783,668**	**1,397,475**	**1,322**
Accounts and other payables	**(758,978)**	**(133,927)**	**(55,272)**	**(39,674)**	**(5,959,970)**
Net exposure arising from recognised assets and liabilities	**$ 66,941,932**	**$ 7,082,252**	**$ 3,709,862**	**$ 1,400,274**	**$ 212,103**

	USD	RMB	GBP	SGD	Others
At 30 June 2012					
Other financial assets	$ 390,763	$ –	$ –	$ –	$ –
Loan to an associate	–	–	1,210,930	–	–
Available-for-sale investments	28,135,951	–	–	–	–
Financial assets at fair value through profit or loss	19,310,834	–	–	–	–
Accounts, loans and other receivables	8,375,493	2,424,081	15,595	365	530,360
Cash and cash equivalents	961,178	5,437,344	–	278,040	19,498
Accounts and other payables	(3,940,537)	(2,228,078)	–	–	(23,812)
Net exposure arising from recognised assets and liabilities	$ 53,233,682	$ 5,633,347	$ 1,226,525	$ 278,405	$ 526,046

35 Financial instruments (Continued)

(d) FOREIGN EXCHANGE RISK (Continued)

An analysis of the estimated change in the Group's loss before tax in response to reasonably possible changes in the foreign exchange rates against Hong Kong Dollar to which the Group has significant exposure at the end of reporting date is presented in the following table.

	2013		2012	
	Increase/(decrease) in exchange rates	**Effect on loss before tax**	Increase/(decrease) in exchange rates	Effect on loss before tax
Renminbi, RMB	**+5%**	**(354,113)**	+5%	(281,667)
	-5%	**354,113**	-5%	281,667
Pound Sterling, GBP	**+5%**	**(185,493)**	+5%	(61,326)
	-5%	**185,493**	-5%	61,326
Singapore Dollar, SGD	**+5%**	**(70,014)**	+5%	(13,920)
	-5%	**70,014**	-5%	13,920

The above analysis assumes the change in foreign exchange rates had occurred at the end of reporting date and had been applied to each of the Group entities' exposure to currency risk in existence at that date while all other variables remains constant. The stated changes also represent management's assessment of reasonably possible changes in foreign exchange rates until the end of the next reporting period. The Hong Kong Dollar and the United States Dollar peg are assumed to stay materially unaffected by any fluctuation in United States Dollar against other currencies.

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(e) INTEREST RATE RISK

Interest rate risk primarily results from timing differences in the re-pricing of interest bearing assets, liabilities and commitments. The Group's interest rate risk exposure arises mainly from bank balances, margin financing, short-term bank loans, mortgage bank loan and other lending activities undertaken. The short-term bank loans are mainly utilised for re-financing customers' borrowings which the Group has the legal capacity to quickly recall the margin loans or re-price the loans to an appropriate level and financing the proprietary trading activities. 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.

Assuming that the Hong Kong market interest rates had been 50 basis points (2012: 50 basis points) higher and all other variables held constant at the end of the reporting period, the Group's loss before tax would have an estimated decrease of $162,000 (2012: $447,000).

The Company is exposed to interest rate risk only to the extent that it earns interest on banks deposits and loans to a subsidiary and interest incurred on short-term bank loan. Assuming that the Hong Kong market interest rates had been 50 basis points (2012: 50 basis points) higher and all other variables held constant at the end of the reporting period, the Company's profit before tax would have an estimated increase of $1,105,000 (2012: loss before tax would have an estimate decrease of $1,296,000).

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

36 Fair value of financial instruments

All financial instruments are stated at fair value or carried at amounts not materially different from their fair values as at 30 June 2013 and 2012.

The fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively. The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. The fair value of debt securities and investment funds are calculated using quoted prices and net asset values. For an option-based derivative, the fair value is estimated using the Black-Scholes model.

Financial instruments that are measured subsequent to initial recognition at fair value were grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets 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).

For the year ended 30 June 2013 (Expressed in Hong Kong dollars)

36 Fair value of financial instruments (Continued)

		2013		
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale investments				
– Unlisted investment funds	**$ –**	**$ 20,997,901**	**$ –**	**$ 20,997,901**
Financial assets at fair value through profit or loss				
– Listed equity securities	**115,488,761**	**–**	**–**	**115,488,761**
– Listed debt securities	**23,530,504**	**–**	**–**	**23,530,504**
	$ 139,019,265	**$ 20,997,901**	**$ –**	**$ 160,017,166**

		2012		
	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
– Unlisted investment funds	$ –	$ 20,140,562	$ –	$ 20,140,562
– Listed equity security	10,652,793	–	–	10,652,793
Financial assets at fair value through profit or loss				
– Listed equity securities	86,516,934	–	–	86,516,934
– Listed debt securities	27,286,610	–	–	27,286,610
	$ 124,456,337	$ 20,140,562	$ –	$ 144,596,899

37 Key sources of estimation uncertainty

In preparing these consolidated financial statements, management is required to exercise significant judgements in the selection and application of accounting principles, including making estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) FAIR VALUE OF FINANCIAL ASSETS

For unlisted investment funds, the fair values are based on the net asset values of the investment funds reported to the Trustee by the administrators. Judgment is required when determining whether the net asset values can reflect the fair value of the financial assets. The valuation methodologies adopted by the Group are discussed in note 36.

(b) IMPAIRMENT ALLOWANCES ON LOANS AND RECEIVABLES

The Group periodically reviews its loan portfolios to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in the consolidated income statement, the Group has individually evaluated each loan account for impairment after taking into account the value of each client account's underlying collateral and the latest financial position of those borrowers in default of settlement. Details of the impairment allowances are disclosed in note 22.

(c) INCOME TAX

The Group's tax losses are mainly from a subsidiary engaging in proprietary trading activities. At the end of each reporting period and based primarily on the performance of the Hong Kong financial market, the Group estimates whether there will be sufficient future profits or taxable temporary differences available so that deferred tax assets should be recognised. No deferred tax assets will be recognised if the future profit streams are unpredictable. Details of the deferred tax are disclosed in note 27.

(d) OTHER RECEIVABLE

As of the reporting date, the Group might not eventually recover the Escrow Funds in full, however, the management of the Group currently considers such eventual outcome is not likely after taking into account the nature of the escrow agreement and the opinion of Group's legal counsel. The details of other receivable together with management consideration are disclosed in note 19.

38 Parent and ultimate holding company

At 30 June 2013, the directors consider the parent of the Group to be World Developments Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use. The directors consider the ultimate holding company of the Group to be Sunwah International Limited, which is incorporated in Bermuda and listed on the Toronto Stock Exchange.

Five Years Financial Summary

(Expressed in Hong Kong dollars)

	2009 '000	2010 '000	2011 '000 (restated)	2012 '000	**2013** **'000**
Results					
Turnover	$ 67,818	$ 131,099	$ 115,885	$ 104,938	**$ 78,293**
Profit/(loss) attributable to owners of the Company	$ (61,240)	$ 10,494	$ 46,573	$ (119,172)	**$ (2,329)**
Basic earnings/(loss) per share (cents)	(1.9)	0.3	1.3	(3.2)	**(0.06)**
Dividends paid and payable to owners of the Company attributable to the year	$ 33,457	$ 33,457	$ 37,915	$ 16,565	**$ 18,405**
Assets and liabilities					
Total assets	$ 752,414	$ 857,932	$ 884,847	$ 759,353	**$ 808,340**
Total liabilities	$ (177,056)	$ (302,858)	$ (198,753)	$ (222,304)	**$ (234,480)**
Net assets attributable to owners of the Company	$ 575,178	$ 554,915	$ 685,956	$ 537,049	**$ 573,860**

Directory of Licensed Subsidiaries and Affiliates

Licensed Subsidiaries of Sunwah Kingsway Capital Holdings Limited

Kingsway Financial Services Group Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission

Exchange Participant of The Stock Exchange of Hong Kong

Broker Participant of Hong Kong Securities Clearing Company Limited

Exchange Participant of Hong Kong Futures Exchange

Participant of HKFE Clearing Corporation Limited

Options Trading Exchange Participant of SEHK

SEOCH Direct Clearing Participant

Lead Underwriter and Securities Broker licence for B-Shares of Shenzhen and Shanghai Stock Exchanges granted by the China Securities Regulatory Commission

B-Shares Special Seat Holder of Shenzhen Stock Exchange

B-Shares Tangible Trading Seat Holder of Shanghai Stock Exchange

B-Shares Special Clearing Participant of China Securities Depository and Clearing Corporation Limited – Shenzhen Branch

B-Shares Clearing Participant of China Securities Depository and Clearing Corporation Limited – Shanghai Branch

Kingsway Capital Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission

Main Board and GEM Board Sponsor of The Stock Exchange of Hong Kong

Kingsway SW Asset Management Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission

Kingsway SW Finance Limited

Money Lender registered with the HKSAR Government

Affiliated & Overseas Offices

Canada

– Kingsway Capital of Canada Inc.
Suite 1200, 8 King Street East, Toronto, Ontario,
Canada M5C 1B5

China

– Kingsway Financial Services Group Ltd. – Beijing Representative Office

– Beijing Kingsway Financial Consultancy Limited
Room 801, Building A, Beijing Fortune Plaza,
No. 7 Dongsanhuan Zhong Road, Chaoyang District,
Beijing, 100020, PRC

– Shanghai Kingsway Financial Consultancy Limited
Room 2038-2039, Catic Building, 212 Jiangning Road,
Jingan, Shanghai 200041, PRC

– Shenzhen Kingsway Financial Consultancy Limited
701, Tower A, Aerospace Skyscraper,
4019 Shennan Road, Futian District, Shenzhen,
518048, PRC

Ultimate Holding Company

Sunwah International Limited

A listed company on the Toronto Stock Exchange

Corporate Information

General Information

CHAIRMAN

Jonathan Koon Shum Choi

EXECUTIVE DIRECTORS

Mary Yuk Sin Lam *(Deputy Chairman)*
Michael Koon Ming Choi *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS

Janice Wing Kum Kwan
Lee G. Lam

INDEPENDENT NON-EXECUTIVE DIRECTORS

Robert Tsai To Sze
Stanley Kam Chuen Ko
Elizabeth Law

Legal Advisors to the Company

As to Hong Kong Law:
MinterEllison
Level 25, One Pacific Place,
88 Queensway, Hong Kong

As to Bermuda Law:
Conyers Dill & Pearman
2901 One Exchange Square,
8 Connaught Place, Central, Hong Kong

Auditor

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place,
88 Queensway, Hong Kong

Registered Office

Clarendon House,
2 Church Street,
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

7th Floor, Tower One, Lippo Centre
89 Queensway,
Hong Kong

Company Secretary

Vincent Wai Shun Lai

Authorised Representatives

Michael Koon Ming Choi
Vincent Wai Shun Lai

Bermuda Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street,
Hamilton HM 11, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Room 1712-1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Hong Kong

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Composition of Board Committees

AUDIT COMMITTEE

Robert Tsai To Sze *(Chairman)*
Stanley Kam Chuen Ko
Elizabeth Law

NOMINATION COMMITTEE

Stanley Kam Chuen Ko *(Chairman)*
Jonathan Koon Shum Choi
Mary Yuk Sin Lam
Robert Tsai To Sze
Elizabeth Law

COMPENSATION COMMITTEE

Stanley Kam Chuen Ko *(Chairman)*
Jonathan Koon Shum Choi
Mary Yuk Sin Lam
Robert Tsai To Sze
Elizabeth Law

CORPORATE GOVERNANCE COMMITTEE

Lee G. Lam *(Chairman)*
Janice Wing Kum Kwan
Stanley Kam Chuen Ko

SUNWAH KINGSWAY
新華滙富

Sunwah Kingsway Capital Holdings Limited
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