



Kingsway Group

SW Kingsway Capital Holdings Limited

滙富金融控股有限公司*

Incorporated in Bermuda with limited liability

Stock Code: 188

商界展關懷

caringcompany^{2006/09}

Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Sharing a dream,
Building a Future



Interim Report

2008/09

*For identification purpose only



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Corporate Information

General Information

CHAIRMAN

Jonathan Koon Shum Choi

EXECUTIVE DIRECTORS

Mary Yuk Sin Lam (*Deputy Chairman*)

William Wai Leung Wu (*Chief Executive Officer*)

Michael Koon Ming Choi

NON-EXECUTIVE DIRECTORS

Rebecca Yuk Fung Lau

Lee G. Lam

INDEPENDENT NON-EXECUTIVE DIRECTORS

Robert Tsai To Sze

Stanley Kam Chuen Ko

Michael Wai Chung Wu

Legal Advisers to the Company

As to Hong Kong Law:

Woo, Kwan, Lee & Lo

26th Floor, Jardine House,

One Connaught Place, Central,

Hong Kong

Clifford Chance

28th Floor, Jardine House,

One Connaught Place, Central,

Hong Kong

As to Bermuda Law:

Conyers Dill & Pearman

2901 One Exchange Square,

8 Connaught Place, Central, Hong Kong

Auditors

KPMG

8th Floor, Prince's Building,

10 Chater Road, Central,

Hong Kong

Registered Office

Clarendon House,

2 Church Street, Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

5th Floor, Hutchison House,

10 Harcourt Road, Central,

Hong Kong

Company Secretary

Vincent Wai Shun Lai

Authorised Representatives

William Wai Leung Wu

Vincent Wai Shun Lai

Bermuda Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre,

11 Bermudiana Road,

Pembroke, 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

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Composition of Board Committees

AUDIT COMMITTEE

Robert Tsai To Sze (*Chairman*)

Stanley Kam Chuen Ko

Michael Wai Chung Wu

Rebecca Yuk Fung Lau

NOMINATION COMMITTEE

Stanley Kam Chuen Ko (*Chairman*)

Jonathan Koon Shum Choi

Mary Yuk Sin Lam

COMPENSATION COMMITTEE

Stanley Kam Chuen Ko (*Chairman*)

Jonathan Koon Shum Choi

Mary Yuk Sin Lam

Robert Tsai To Sze

Michael Wai Chung Wu

CORPORATE GOVERNANCE COMMITTEE

Michael Wai Chung Wu (*Chairman*)

Rebecca Yuk Fung Lau

Stanley Kam Chuen Ko

The Board of Directors of SW Kingsway Capital Holdings Limited (the "Company") is pleased to present the interim report and unaudited condensed financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2008. The condensed financial statements have not been audited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors of the Company is included on page 28. The interim report has been reviewed by the Company's Audit Committee.

Consolidated Income Statement

For the six months ended 31 December 2008 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2008	2007
Turnover			
Net loss on disposal of financial assets at fair value through profit or loss and remeasurement to fair value		\$ (131,292,818)	\$ (2,651,520)
Commission and fee income		32,013,154	71,605,391
Interest and dividend income		5,428,554	23,890,892
		\$ (93,851,110)	\$ 92,844,763
Other income		643,181	1,947,996
	2	\$ (93,207,929)	\$ 94,792,759
Operating expenses			
Commission expenses		(5,479,689)	(16,992,493)
General and administrative expenses		(50,719,240)	(55,832,187)
Finance costs		(202,437)	(10,942,786)
		\$ (149,609,295)	\$ 11,025,293
Share of (losses)/profits of associates	2	(18,157,172)	8,202,597
Share of (losses)/profits of jointly controlled entities	2	(17,726,428)	32,757,437
(Loss)/profit before taxation	3	\$ (185,492,895)	\$ 51,985,327
Income tax	4	19,536,444	(8,729,435)
(Loss)/profit for the period		\$ (165,956,451)	\$ 43,255,892
Attributable to:			
Equity shareholders of the Company		\$ (171,270,741)	\$ 27,389,020
Minority interests		5,314,290	15,866,872
(Loss)/profit for the period		\$ (165,956,451)	\$ 43,255,892
Interim dividend	5(a)	\$ 10,719,139	\$ 11,368,784
Basic (loss)/earnings per share	6(a)	(5.27) cent	0.84 cent
Diluted (loss)/earnings per share	6(b)	N/A	N/A

The notes on pages 6 to 18 form part of these condensed interim financial statements.

Consolidated Balance Sheet

At 31 December 2008 – unaudited (Expressed in Hong Kong dollars)

	Note	31 December 2008	30 June 2008
Non-current assets			
Other properties and equipment		\$ 27,340,352	\$ 28,869,500
Intangible assets		2,331,141	2,331,141
Interests in associates		27,540,160	45,696,885
Interests in jointly controlled entities		141,576,925	158,408,105
Other financial assets		9,012,654	8,918,385
		\$ 207,801,232	\$ 244,224,016
Current assets			
Financial assets at fair value through profit or loss	7	\$ 169,395,418	\$ 318,478,470
Accounts, loans and other receivables	8	61,879,984	182,618,355
Amounts due from related companies		17,804	17,804
Cash and cash equivalents	9	116,793,989	168,391,088
		\$ 348,087,195	\$ 669,505,717
Current liabilities			
Accruals, accounts and other payables	10	\$ 64,066,512	\$ 168,252,118
Bank loans	11	726,179	680,769
Obligations under finance leases	12	530,536	501,137
Current taxation		3,393,098	38,691,654
		\$ 68,716,325	\$ 208,125,678
Net current assets		\$ 279,370,870	\$ 461,380,039
Total assets less current liabilities		\$ 487,172,102	\$ 705,604,055
Non-current liabilities			
Non-current bank loans	11	\$ 4,403,398	\$ 4,787,693
Non-current obligations under finance leases	12	973,893	1,246,720
Deferred tax liabilities		420,166	425,165
		\$ 5,797,457	\$ 6,459,578
NET ASSETS		\$ 481,374,645	\$ 699,144,477
CAPITAL AND RESERVES			
Share capital	13	\$ 324,822,391	\$ 324,822,391
Reserves		151,851,559	346,531,459
		\$ 476,673,950	\$ 671,353,850
Minority interests		4,700,695	27,790,627
TOTAL EQUITY		\$ 481,374,645	\$ 699,144,477

The notes on pages 6 to 18 form part of these condensed interim financial statements.

Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2008 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2008	2007
Net cash generated from operating activities	\$ 959,774	\$ 929,610,812
Net cash used in investing activities	(832,771)	(110,472)
Net cash used in financing activities	(51,724,102)	(880,729,959)
Net (decrease)/increase in cash and cash equivalents	\$ (51,597,099)	\$ 48,770,381
Cash and cash equivalents at 1 July 2008/2007	168,391,088	88,075,637
Cash and cash equivalents at 31 December 2008/2007	\$ 116,793,989	\$ 136,846,018
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	\$ 116,793,989	\$ 136,846,018

The notes on pages 6 to 18 form part of these condensed interim financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2008 – unaudited (Expressed in Hong Kong dollars)

	2008	2007
Total equity at 1 July 2008/2007	\$ 699,144,477	\$ 891,981,103
Net (expense)/income recognised directly in equity:		
Exchange differences on translation of financial statements of overseas subsidiaries	\$ 26,319	\$ (542,608)
Share of reserve of associates	447	(9,489)
(Deficit)/surplus on revaluation of buildings held for own use	(698,358)	4,512,895
Net (expense)/income for the period recognised directly in equity	\$ (671,592)	\$ 3,960,798
Net (loss)/profit for the period	(165,956,451)	43,255,892
Total recognised income and expense for the period	\$ (166,628,043)	\$ 47,216,690
Attributable to:		
Equity shareholders of the Company	\$ (171,942,333)	\$ 31,349,818
Minority interests	5,314,290	15,866,872
	\$ (166,628,043)	\$ 47,216,690
Dividends paid to:		
Equity shareholders of the Company	\$ (22,737,567)	\$ (22,737,567)
Minority interests	(8,305,002)	(50,500,000)
	\$ (31,042,569)	\$ (73,237,567)
Movements in equity arising from capital transactions:		
Return of capital to minority interests	\$ (20,099,220)	\$ (15,000,000)
Total equity at 31 December 2008/2007	\$ 481,374,645	\$ 850,960,226

The notes on pages 6 to 18 form part of these condensed interim financial statements.

Notes to Condensed Interim Financial Statements

(Expressed in Hong Kong dollars)

1 Basis of preparation

The unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) are prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Interim Financial Statements are prepared on a basis consistent with the accounting policies adopted in the 2008 annual financial statements.

The HKICPA has issued a number of new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group. However, none of these developments are relevant to the Group’s operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 19).

2 Segment information

(A) BY BUSINESS SEGMENTS

The Group’s activities are organised under the following business segments:

Investment in securities	:	Investment in securities for treasury and liquidity management
Structured investment	:	Investment in structured deals including listed and unlisted equity, debt securities and investment properties
Brokerage	:	Provision of stock, futures, commodities and options 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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

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.

2 Segment information (Continued)

(A) BY BUSINESS SEGMENTS (CONTINUED)

	Six months ended 31 December 2008						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Turnover	\$ (115,073,026)	\$ (5,001,762)	\$ 24,615,522	\$ 8,772,823	\$ (8,522,879)	\$ 1,358,212	\$ (93,851,110)
Inter-segment revenue	2,055	-	505,799	-	283,206	9,348,965	10,140,025
Other revenue	-	-	368,000	18,509	5,656	251,016	643,181
	<u>\$ (115,070,971)</u>	<u>\$ (5,001,762)</u>	<u>\$ 25,489,321</u>	<u>\$ 8,791,332</u>	<u>\$ (8,234,017)</u>	<u>\$ 10,958,193</u>	<u>\$ (83,067,904)</u>
Eliminations							(10,140,025)
Total revenue							<u>\$ (93,207,929)</u>
Segment results	<u>\$ (117,857,170)</u>	<u>\$ (5,193,328)</u>	<u>\$ (8,773,671)</u>	<u>\$ (3,565,154)</u>	<u>\$ (9,066,651)</u>	<u>\$ (5,153,321)</u>	<u>\$ (149,609,295)</u>
Share of losses of associates	\$ -	\$ (17,627,933)	\$ (471,783)	\$ -	\$ (57,456)	\$ -	(18,157,172)
Share of losses of jointly controlled entities	-	(17,726,428)	-	-	-	-	(17,726,428)
Loss before taxation							<u>\$ (185,492,895)</u>

	Six months ended 31 December 2007						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Turnover	\$ (37,336,629)	\$ 33,270,900	\$ 67,487,697	\$ 24,232,531	\$ 3,885,411	\$ 1,304,853	\$ 92,844,763
Inter-segment revenue	27,164	231,869	3,929,832	-	1,792,625	14,495,505	20,476,995
Other revenue	-	245,123	564,456	53,202	-	1,085,215	1,947,996
	<u>\$ (37,309,465)</u>	<u>\$ 33,747,892</u>	<u>\$ 71,981,985</u>	<u>\$ 24,285,733</u>	<u>\$ 5,678,036</u>	<u>\$ 16,885,573</u>	<u>\$ 115,269,754</u>
Eliminations							(20,476,995)
Total revenue							<u>\$ 94,792,759</u>
Segment results	<u>\$ (45,282,411)</u>	<u>\$ 31,647,023</u>	<u>\$ 13,837,680</u>	<u>\$ 12,274,823</u>	<u>\$ 966,595</u>	<u>\$ (2,418,417)</u>	<u>\$ 11,025,293</u>
Share of profits/(losses) of associates	\$ -	\$ 5,977,884	\$ 2,736,651	\$ -	\$ (511,938)	\$ -	8,202,597
Share of profits of jointly controlled entities	-	32,757,437	-	-	-	-	32,757,437
Profit before taxation							<u>\$ 51,985,327</u>

Notes to Condensed Interim Financial Statements

(Expressed in Hong Kong dollars)

2 Segment information (Continued)

(B) BY GEOGRAPHICAL SEGMENTS

The following table provides an analysis of the Group's turnover by geographical markets:

	Six months ended 31 December	
	2008	2007
Hong Kong	\$ (94,356,652)	\$ 72,637,226
The People's Republic of China (the "PRC")	790,502	2,782,799
Japan	(591,298)	2,322,350
Canada and Australia	690	14,970,212
Other markets	305,648	132,176
	\$ (93,851,110)	\$ 92,844,763

3 (Loss)/profit before taxation

(LOSS)/PROFIT BEFORE TAXATION IS ARRIVED AT AFTER CREDITING/(CHARGING):

	Six months ended 31 December	
	2008	2007
Net (loss)/gain on disposal of financial assets at fair value through profit or loss and remeasurement to fair value		
– equity securities	\$ (119,274,602)	\$ 6,449,485
– debt securities designated at fair value through profit or loss	(591,298)	2,322,350
– derivatives and others	(11,426,918)	(11,423,355)
Dividends from listed equity securities	1,624,816	1,719,626
Interest income from		
– bank deposits	1,781,609	5,204,036
– others	2,022,129	16,967,230
Net exchange gain	–	883,255
Staff costs	\$ (30,049,905)	\$ (35,781,732)
Operating lease charges – land and buildings	(4,300,150)	(4,182,336)
Depreciation	(1,662,956)	(1,521,510)
Interest on		
– bank loans and overdrafts	(107,988)	(10,810,825)
– others	(94,449)	(131,961)
Impairment losses for accounts receivable (net)	(2,754,993)	(46,666)
Net exchange loss	(417,423)	–

4 Income tax

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period.

	Six months ended 31 December	
	2008	2007
Current tax – Provision for Hong Kong Profits Tax		
– Tax for the period	\$ –	\$ 8,750,241
– Over-provision in prior periods	(19,531,445)	–
	\$ (19,531,445)	\$ 8,750,241
Deferred tax		
Origination and reversal of temporary differences	(4,999)	(20,806)
	\$ (19,536,444)	\$ 8,729,435

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately \$509 million (30 June 2008: \$360 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax regulation.

5 Dividends

(a) DIVIDENDS PAYABLE TO EQUITY SHAREHOLDERS OF THE COMPANY ATTRIBUTABLE TO THE INTERIM PERIOD

	Six months ended 31 December	
	2008	2007
Interim dividend payable of 0.33 cent per share (2007: 0.35 cent per share)	\$ 10,719,139	\$ 11,368,784

At a meeting held on 12 February 2009, the directors declared an interim dividend of 0.33 cent per share, totalling \$10,719,139 (note 14) based on the number of shares in issue at 12 February 2009. This dividend is not reflected as a dividend payable in these Interim Financial Statements.

(b) FINAL DIVIDEND ATTRIBUTABLE TO THE FINANCIAL YEAR ENDED 30 JUNE 2008

At a meeting held on 18 September 2008, the directors proposed a final dividend of 0.7 cent per share for the year ended 30 June 2008, totalling \$22,737,567 (note 14) based on the number of shares in issue at 18 September 2008. On 12 November 2008, the final dividend was paid to shareholders and has been reflected as an appropriation of retained profits in the current period.

Notes to Condensed Interim Financial Statements

(Expressed in Hong Kong dollars)

6 (Loss)/earnings per share

(a) BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's result attributable to shareholders of loss of \$171,270,741 (2007: profit of \$27,389,020) and on 3,248,223,906 (2007: 3,248,223,906) ordinary shares in issue during the period.

(b) DILUTED (LOSS)/EARNINGS PER SHARE

Diluted loss per share for the current period has not been disclosed as there were no potential ordinary shares as at the period end. Diluted earnings per share for the prior period has not been disclosed as the outstanding share options have no dilutive effects on the basic earnings per share for the prior period, as their exercise prices were above the average market price of the shares during the prior period.

7 Financial assets at fair value through profit or loss

	31 December 2008	30 June 2008
Listed equity securities, at fair value		
– in Hong Kong	\$ 169,394,932	\$ 282,228,268
– outside Hong Kong	486	1,357
	\$ 169,395,418	\$ 282,229,625
Unlisted investments, at fair value		
– debt securities	\$ –	\$ 36,241,298
– derivative instruments	–	7,547
	\$ –	\$ 36,248,845
	\$ 169,395,418	\$ 318,478,470
The carrying amounts of the above financial assets are classified as follows:		
Held for trading	\$ 169,395,418	\$ 282,229,625
Designated as fair value through profit or loss on initial recognition	–	36,248,845
	\$ 169,395,418	\$ 318,478,470

8 Accounts, loans and other receivables

	Note	31 December 2008	30 June 2008
Accounts and loans receivables			
Amounts due from brokers and clearing houses	(a)	\$ 2,890,208	\$ 88,429,393
Amounts due from margin clients	(b)	7,160,030	47,611,797
Amounts due from cash clients	(c)	50,695,677	46,690,147
Loans receivable	(d)	1,214,505	1,214,505
Others	(e)	4,472,867	1,838,041
		\$ 66,433,287	\$ 185,783,883
Less: Impairment losses		(7,574,269)	(4,826,872)
		\$ 58,859,018	\$ 180,957,011
Prepayments, deposits and other receivables		3,020,966	1,661,344
		\$ 61,879,984	\$ 182,618,355

The ageing analysis of accounts and loans receivables net of impairment losses is as follows:

	31 December 2008	30 June 2008
Current	\$ 57,482,578	\$ 180,524,901
Within one month past due	8,820	322,051
More than one month and within three months past due	307,410	–
More than three months past due	1,060,210	110,059
	\$ 58,859,018	\$ 180,957,011

Notes:

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

The Group maintains clients' monies arising from the ordinary course of business of dealing in options and futures contracts in trust with The SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKFECC"). At 31 December 2008, the Group held \$5,133,713 (30 June 2008: \$5,779) with SEOCH and \$7,584,692 (30 June 2008: \$13,709,246) with HKFECC in trust for clients which were not dealt with in these Interim Financial Statements.

- (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 by the discounted value of securities accepted by the Group. At 31 December 2008, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately \$122 million (30 June 2008: \$240 million). The amounts due from margin clients are repayable on demand and bear interest at commercial rates.

Notes to Condensed Interim Financial Statements

(Expressed in Hong Kong dollars)

8 Accounts, loans and other receivables (Continued)

Notes: (Continued)

- (c) There are no credit facilities granted to cash clients of the brokerage division. They are required to settle their securities trading balances on the settlement day determined under the relevant market practices or exchange rules.
- (d) The credit terms for loans granted by the Group's brokerage division are set by management with reference to the financial background and the value and nature of collaterals pledged by the borrower.
- (e) The balance included an amount of \$236,140 (30 June 2008: \$203,010) receivable from an associate arising from normal business transactions.

9 Cash and cash equivalents

The Group maintains segregated client accounts with licensed banks to hold clients' monies arising from normal business transactions in connection with the Group's brokerage activities. As at 31 December 2008, segregated client accounts not otherwise dealt with in these Interim Financial Statements amounted to \$234,763,075 (30 June 2008: \$298,525,264).

10 Accruals, accounts and other payables

	31 December 2008	30 June 2008
Accounts payable (current and within one month)		
Amounts due to brokers and clearing houses	\$ 17,811,036	\$ 5,850,456
Clients' accounts payable (net of bank and clearing house balances in segregated client accounts)	32,390,958	119,891,497
Others	848,929	3,787,094
	\$ 51,050,923	\$ 129,529,047
Other creditors and accruals	13,015,589	38,723,071
	\$ 64,066,512	\$ 168,252,118

11 Bank loans

	31 December 2008	30 June 2008
Secured bank loans (Note)	\$ 5,129,577	\$ 5,468,462
The bank loans are repayable as follows:		
Within one year or on demand	\$ 726,179	\$ 680,769
More than one year but not exceeding two years	775,211	711,561
More than two years but not exceeding five years	2,467,508	2,332,003
After five years	1,160,679	1,744,129
	\$ 5,129,577	\$ 5,468,462
Less: Amount due after one year shown under non-current liabilities	(4,403,398)	(4,787,693)
	\$ 726,179	\$ 680,769

Note: As at 31 December 2008, the Group's buildings held for own use with a carrying value of \$20,785,140 (30 June 2008: \$21,726,250) were pledged as security for bank loans amounting to \$5,129,577 (30 June 2008: \$5,468,462).

12 Obligations under finance leases

At 31 December 2008 and 30 June 2008, the Group had obligations under finance leases repayable as follows:

	31 December 2008	
	Present value of the minimum lease payments	Total minimum lease payments
Within one year	\$ 530,536	\$ 675,600
After one year but within two years	\$ 594,609	\$ 675,600
After two years but within five years	379,284	394,100
	\$ 973,893	\$ 1,069,700
	\$ 1,504,429	\$ 1,745,300
Less: Total future interest expenses		(240,871)
Present value of lease obligations		\$ 1,504,429

Notes to Condensed Interim Financial Statements

(Expressed in Hong Kong dollars)

12 Obligations under finance leases (Continued)

	30 June 2008	
	Present value of the minimum lease payments	Total minimum lease payments
Within one year	\$ 501,137	\$ 675,600
After one year but within two years	\$ 561,659	\$ 675,600
After two years but within five years	685,061	731,900
	\$ 1,246,720	\$ 1,407,500
	\$ 1,747,857	\$ 2,083,100
Less: Total future interest expenses		(335,243)
Present value of lease obligations		\$ 1,747,857

13 Share capital

	No. of shares	Amount
Authorised:		
Ordinary shares of \$0.1 each	4,000,000,000	\$ 400,000,000
Issued and fully paid:		
At 30 June 2008 and 31 December 2008	3,248,223,906	\$ 324,822,391

14 Retained profits

The Company's retained profits represented:

	31 December 2008	30 June 2008
2009 interim dividend (Note 5(a))	\$ 10,719,139	\$ –
2008 final dividend (Note 5(b))	–	22,737,567
Others	101,590,278	113,839,194
	\$ 112,309,417	\$ 136,576,761

15 Contingent liabilities

	Company	
	31 December 2008	30 June 2008
Guarantees for banking facilities of subsidiaries and jointly controlled entities	\$ 294,329,577	\$ 329,168,462
Other guarantees	13,000,000	13,000,000
Total	\$ 307,329,577	\$ 342,168,462

16 Commitments

(A) CAPITAL COMMITMENTS

	31 December 2008	30 June 2008
Contracted but not provided for	\$ 945,055	\$ 1,192,124

(B) COMMITMENTS UNDER OPERATING LEASES

As lessee

As at 31 December 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	31 December 2008	30 June 2008
Not later than one year	\$ 8,985,000	\$ 8,170,880
Later than one year and not later than five years	20,771,250	24,187,500
Total	\$ 29,756,250	\$ 32,358,380

Notes to Condensed Interim Financial Statements

(Expressed in Hong Kong dollars)

17 Material related party transactions

The following is a summary of significant related party and connected party (as defined in the Listing Rules) transactions which were carried out in the normal course of the Group's business:

	Note	Six months ended 31 December	
		2008	2007
Brokerage commission earned on securities, futures, commodities and options dealing	(a)	\$ 1,139,322	\$ 3,515,965
Common office expenses recharged	(b)	217,170	376,400
Consultancy and management fee received	(c)	1,465,988	2,188,958
Secretarial fee earned	(d)	86,950	29,580
Interest income	(e)	757,198	757,198

Notes:

- (a) Brokerage commission was received from fellow subsidiaries, associates, minority shareholders of non-wholly owned subsidiary, the Group's directors and their associates in the ordinary course of the Group's business of dealing in securities, futures, commodities and options. 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) Amounts represent office overheads and rental expenses recharged to a fellow subsidiary and an associate. The allocation of office overheads and rental expenses is primarily based on the percentage of floor area occupied by each company.
- (c) Consultancy and management fees were received from a fellow subsidiary, jointly controlled entities and an associate for the provision of management and administrative services. The fees mainly comprised a fixed monthly charge as agreed between the parties involved.
- (d) Secretarial fee was received from associates, jointly controlled entities, fellow subsidiaries and companies associated with two of the Group's directors for corporate secretarial services provided. The fee was charged at rates similar to those normally charged to third party clients.
- (e) Interest income was received from jointly controlled entities for the loans advanced. Interest rates are set at the same level as those normally offered to third party clients.

18 Financial instruments

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, equity price risk, foreign exchange risk and interest rate risk. These risks are limited by the Group's financial management policies and practices described below.

(A) CREDIT RISK

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

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

(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 relevant senior managers monitoring the liquidity position of the Group on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations and compliance with statutory requirements such as the Hong Kong Securities and Futures (Financial Resources) Rules applying to various licensed subsidiaries.

(C) EQUITY PRICE RISK

The Group is exposed to equity price changes arising from investments classified as financial assets or financial liabilities at fair value through profit or loss. The Group's listed investments are mainly listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are rested with assigned investment managers and governed by specific investment guidelines. The Board has set up the Investment Monitoring Committee ("IMC") for the purposes of independently monitoring the positions of its proprietary trading activities involving equities and derivatives. In addition to the IMC, the Group's exposures are closely monitored by the Finance Department and senior management on a daily basis and are measured on a "mark-to-market" basis. The Group's various proprietary trading activities are reported monthly to senior management for review.

Notes to Condensed Interim Financial Statements

(Expressed in Hong Kong dollars)

18 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. Monetary assets are measured daily on a “mark-to-market” basis. Non-current assets are revalued regularly using the market exchange rates. Overall positions are reported monthly to senior management for review. The Group’s foreign exchange risk primarily arises from currency exposures originating from its proprietary investments. Principal brokerage and lending operations are carried out in local currency to obviate foreign exchange risk. Accordingly, the Group has no significant exposure to foreign exchange fluctuations on accounts and loans receivables.

(E) INTEREST RATE RISK

Interest rate risk primarily results from timing differences in the re-pricing of interest bearing assets, liabilities and commitments. The Group’s interest rate risk exposure arises mainly from bank balances, margin financing, short-term bank loans and other lending activities undertaken. The short-term bank loans are mainly utilised to finance customers’ borrowings where the Group has the legal capacity to quickly recall the margin loans or re-price the loans to an appropriate level. Interest rates paid by the Group are managed by the Finance Department with the aim of maximising the spread of interest consistent with liquidity and funding obligations.

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 30 June 2009

Up to the date of issue of these Interim Financial Statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the annual accounting period ending 30 June 2009 and which have not been adopted in these Interim Financial Statements.

Of these developments, the following relate to matters that may be relevant to the Group’s operations and financial statements:

	Effective for accounting periods beginning on or after
– HKFRSs (Amendments), Improvements to HKFRSs	1 January 2009
– HKAS 1 (Revised), Presentation of Financial Statements	1 January 2009
– HKAS 27 (Revised), Consolidated and Separate Financial Statements	1 July 2009
– HKAS 32 & 1 (Amendments), Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
– HKFRS 1 & HKAS 27 (Amendments), Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
– HKFRS 2 (Amendment), Vesting Conditions and Cancellations	1 January 2009
– HKFRS 3 (Revised), Business Combinations	1 July 2009
– HKFRS 8, Operating Segments	1 January 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

Management Discussion and Analysis

The Market

The financial tsunami was much stronger than most people expected. The credit market was the hardest hit, but the stock markets, foreign exchange markets, commodities markets and other financial markets were not spared. The climax of this crisis, till now, was the fall of Lehman Brothers in September, followed by hefty injections of capital into a large number of financial institutions in a number of countries. Markets seem to stabilise upon the swearing in of the new President of the United States, and the announcement of various economic stimulus packages by different governments. However, markets are still nervous and may react negatively to any bad news. Hong Kong is a regional centre for financial services and is seriously affected by all these global events. China emerged as one of the countries least affected by the financial tsunami, and with its firm support for Hong Kong, it is believed that the impact of the financial turmoil on this region may not be as severe compared with other parts of the world.

The Hang Seng Index closed at 14,387 at the end of December 2008, compared with 22,102 at the end of June 2008 and 27,813 at the end of December 2007. The average monthly turnover on the Main Board during the six months ended 31 December 2008 was HK\$1,179 billion, as compared to HK\$1,754 billion for the first half of 2008. Funds raised from IPO on the Main Board in the second half of 2008 amounted to HK\$16 billion. With the major markets including Hong Kong reaching a new low in October, it is expected that market turnover and fund raising activities will remain low in the coming months.

Financial Highlights

Due to the financial turmoil, the Group suffered a loss of HK\$166.0 million for the six months ended 31 December 2008 (the "Period"), while loss attributable to shareholders for the Period was HK\$171.3 million. Net loss on the disposal of financial assets and the remeasurement to fair value was HK\$131.3 million. This was a result of the substantial devaluation of our investment portfolio during this Period. Commission and fee income for our financial intermediary business decreased from HK\$71.6 million for the same period last year to HK\$32.0 million this Period due to the market correction and the fall in demand for capital market investments. General and administrative expenses were HK\$50.7 million, down from HK\$55.8 million for the same period last year. The decrease was mainly due to the drop in variable staff costs, which was in line with the lower commission income. Major overhead items are generally under control.

Brokerage

Total revenue of the division was HK\$25.5 million for the Period, compared with HK\$72.0 million for the same period last year.

Due to the difficult market environment, average daily market turnover shrank by 50% from HK\$115.1 billion in the same period last year to HK\$57.0 billion in this Period. Reflecting the depressed market conditions, our brokerage commission dropped. The interest income also decreased by 83% to HK\$3.8 million in the Period when compared with the same period last year, due to the shrinkage in our margin loan portfolio and the reduction of interest rates.

The division introduced stock option trading in the Period and launched a new trading platform for futures brokerage in October 2008 to increase our competitiveness. The division is working continuously to improve its services delivery standard by upgrading its technology, amid strong competition from banks and other service providers.

Kingsway was ranked the Best Local Brokerage in Hong Kong by the Asiamoney Brokers Poll in October 2008.

Corporate Finance and Capital Markets

The division contributed HK\$8.8 million in revenue for the Period, compared with HK\$24.3 million for the same period last year.

IPO activity fell significantly in 2008 as a number of IPOs were either postponed or cancelled. Consequently, fee income from underwriting and placements fell sharply in the Period. In the meantime, the division focused on securing more advisory work under the current market situation.

Asset Management

The division had a negative turnover of HK\$8.5 million for the Period, compared with a turnover of HK\$3.9 million for the same period last year. This mainly came from the holding loss from an investment received as management fees in prior years.

Sinochem Kingsway Capital Inc., a private equity fund co-sponsored with Sinochem Group, invested in a PRC project during the Period and is still looking for other suitable investment opportunities. Kingsway SBF Investment Company Limited, another private equity fund co-sponsored with Softbank AM Corporation, disposed of its investments and dissolved during the Period.

Investment in Securities and Structured Investment

These divisions had a negative turnover of HK\$120.1 million, compared with a negative turnover of HK\$4.1 million for the same period last year.

The Group has generally maintained its investment portfolio since the end of December 2007. The performance during the period was greatly affected by the correction of the Hong Kong market. Management is satisfied with the underlying potentials of the investee companies and is of the view that a disposal in this volatile environment is not in the best interest of the Company. However, if there are suitable opportunities, the Group may reduce the portfolio size and increase our cash reserve so that we can be in a stronger financial position when the market turns around.

The investment properties held by jointly controlled entities are now being marketed to the expatriate communities in Beijing. Competition in this market is fierce, and the Group is working with its joint venture partner to increase occupancy rates.

Outlook

As the financial tsunami develops, it is difficult to estimate what the market will hold in 2009. The global financial system needs to be re-built, but it takes time. With the strong financial position and an experienced team, management believes that the Group will continue to provide the best available services to our clients when the crisis is over. In the meantime, the Group's strategy is to preserve our resources and continue to improve the service delivering capability. We believe our experience in weathering the previous financial crises will help us through the financial tsunami and a stronger and more competitive Kingsway Group will emerge.

Liquidity and Financial Resources

Total assets as at the end of December 2008 were HK\$556 million, of which approximately 63% were current in nature. Net current assets were HK\$279 million, accounting for approximately 58% of the net assets of the Group as at the end of December 2008.

The Group generally finances its operations from internal resources. Total borrowings of approximately HK\$7 million at the end of December 2008 comprised approximately HK\$5 million in mortgage loans for the Group's office premises in Beijing and Shenzhen, as well as approximately HK\$2 million in finance lease obligations for office equipment. These loans were mainly denominated in HK\$ or US\$ to match the future cash flows of our business operations.

The Group's properties with a carrying value of HK\$20.8 million were pledged as security against bank loans granted to the Group. At the period end, the Group's gearing ratio, calculated as a percentage of bank borrowings over shareholders' fund, was approximately 1.4%.

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 process, 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 investment managers. The Group purchased properties in the PRC for its own use and holds these properties in the PRC through jointly controlled entities for investment purposes. These assets are financed by internal resources and loans denominated in either HK\$ or US\$. Because of the small fluctuation in RMB against HK\$ and US\$, management 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 fluctuations in exchange rates and no hedging instruments are used.

Risk Management

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

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

The Group operates in highly competitive and rapidly changeable markets. New market entrants, the intensification of price competition by existing competitors, product innovation or technical advancement could adversely affect the Group's financial conditions and results of operations.

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

Risk Management Policies and Procedures

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

Employees

As at 31 December 2008, the number of full time employees of the Group was 134 (30 June 2008: 150). There have been no significant changes in the employment, training or development policies of the Group since the publication of the annual report for the year ended 30 June 2008.

Interim Dividend

The Board of Directors has declared an interim dividend of 0.33 HK cent per ordinary share for the six months ended 31 December 2008 (six months ended 31 December 2007: 0.35 HK cent). The dividend will be payable on or about Thursday, 12 March 2009 to shareholders whose names appear on the Register of Members at the close of business on Wednesday, 4 March 2009.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 2 March 2009 to Wednesday, 4 March 2009, both days inclusive, during which period no transfers of shares will be registered. To determine entitlement to the interim dividend, all completed transfers forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:00p.m. on Friday, 27 February 2009.

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

As at 31 December 2008, 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	2,411,661,327	74.25%
Ms Mary Yuk Sin Lam *	Corporate	2,411,661,327	74.25%
Ms Mary Yuk Sin Lam	Personal	7,500,000	0.23%
Ms Rebecca Yuk Fung Lau	Personal	4,200,000	0.13%
Mr Michael Wai Chung Wu	Personal	2,514,000	0.08%
Mr Stanley Kam Chuen Ko	Personal	1,200,000	0.04%

* Dr Jonathan Koon Shum Choi and Ms Mary Yuk Sin Lam are deemed to be interested in 2,411,661,327 ordinary shares by virtue of the SFO. Such interest in shares is also set out under the section "Substantial shareholders' interests and short positions in the shares and underlying shares of the Company" shown on page 26.

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 KINGSWAY INTERNATIONAL HOLDINGS LIMITED ("KINGSWAY INTERNATIONAL"), THE ULTIMATE HOLDING COMPANY OF THE COMPANY

Name of director	Personal interest	Corporate interest	Other interest	* Total number of common shares	* % of total issued shares
Dr Jonathan Koon Shum Choi **	10,101,596	26,828,055 (Note 1)	–	36,929,651	46.0%
Ms Mary Yuk Sin Lam **	19,517,257	–	12,915,060 (Note 2)	32,432,317	40.4%
Mr Michael Koon Ming Choi	106,937	–	–	106,937	0.1%
Mr Stanley Kam Chuen Ko	20,400	–	–	20,400	<0.1%
Ms Rebecca Yuk Fung Lau	100	–	–	100	<0.1%

* Excludes interest in convertible debentures to acquire common shares of Kingsway International which is disclosed in section (v) below.

** By virtue of their interest in Kingsway International, Dr Jonathan Koon Shum Choi and Ms Mary Yuk Sin Lam are deemed to be interested in the shares of the subsidiaries (including the Company as disclosed in section (i) above) of Kingsway International under the SFO.

Notes:

(1) Of these, 12,750,000 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.

(2) Of these, 10,515,060 shares are held by Dynasty International Holdings Limited which is a wholly owned subsidiary of Global Fame Limited. Global Fame Limited is wholly owned by The WKC Lam Family Trust which is a discretionary trust with Ms Mary Yuk Sin Lam's two children as the beneficiaries. Ms Lam is a trustee of The WKC Lam Family Trust.

Of these, 2,400,000 shares are held by Abundant World Limited. Abundant World Limited is wholly owned by The Mary Lam Family Trust which is a discretionary trust with Ms Mary Yuk Sin Lam and her two children as the beneficiaries.

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

(iii) INTEREST IN 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%
Mr Michael Wai Chung Wu	Personal	39,474	3.0%
Ms Rebecca Yuk Fung Lau	Personal	5,000	0.4%

(iv) INTEREST IN OPTIONS TO ACQUIRE COMMON SHARES OF THE COMPANY AND KINGSWAY INTERNATIONAL

Pursuant to the share option schemes operated by the Company and Kingsway International, certain directors had been granted options to subscribe for the shares of the Company and Kingsway International respectively. There were no options outstanding as at 31 December 2008 and no options granted, exercised or cancelled in accordance with the terms of the share option schemes.

(v) INTEREST IN CONVERTIBLE UNSECURED DEBENTURES TO ACQUIRE COMMON SHARES OF KINGSWAY INTERNATIONAL

Name of directors	Type of interest	Principal amount of debentures	Number of underlying shares	Note
Dr Jonathan Koon Shum Choi*	Corporate	C\$ 4,500,000	5,625,000	(a)
Mr Michael Koon Ming Choi**	Corporate	C\$ 1,500,000	1,875,000	(a)

* The debentures are held by Sun Wah Capital Limited. Dr Jonathan Koon Shum Choi is deemed to be interested in these debentures as he is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of Sun Wah Capital Limited. After the conversion of the debentures, Dr Jonathan Koon Shum Choi is deemed beneficial control of a total of 42,554,651 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 of a total of 1,981,937 shares.

Note:

(a) The debentures bear interest at the rate of 9% per annum payable semi-annually and mature on 19 September 2011. The debentures are convertible into common shares of Kingsway International 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.

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

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 31 December 2008, none of the directors and chief executive had any interests or short positions in the shares of the Company and its associated corporations as defined in the SFO, and none of the directors and chief executive or their spouses or children under 18 years of age had been granted any rights to subscribe for the shares of the Company, or had exercised any such rights during the Period.

Save as disclosed above, at no time during the Period was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any other body corporate.

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

As at 31 December 2008, 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 shareholders	Country of incorporation	Number of ordinary shares in the Company		% of total issued shares	Note
		Direct interest	Deemed interest		
(1) World Developments Limited	British Virgin Islands	2,411,661,327	–	74.25%	(a)
(2) Innovation Assets Limited	British Virgin Islands	–	2,411,661,327	74.25%	(a)
(3) Kingsway International Holdings Limited	Bermuda	–	2,411,661,327	74.25%	(a)

Note:

- (a) These shares represent the same interest and are therefore duplicated amongst World Developments Limited, Innovation Assets Limited and Kingsway International. World Developments Limited is a wholly owned subsidiary of Innovation Assets Limited whose entire issued share capital is beneficially owned by Kingsway International. Dr Jonathan Koon Shum Choi beneficially owns or has control of approximately 46% of the issued share capital of Kingsway International and therefore is deemed (by virtue of the SFO) to be interested in these 2,411,661,327 shares. Ms Mary Yuk Sin Lam beneficially owns or has control of approximately 40.4% of the issued share capital of Kingsway International and therefore is deemed (by virtue of the SFO) to be interested in these 2,411,661,327 shares.

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

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

Purchase, sale or redemption of shares

During the six months ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

The Code on Corporate Governance Practices

The Company has applied the principles and has complied with the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited for the six months ended 31 December 2008.

Securities Transactions by Directors

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

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the interim report and the unaudited condensed financial statements for the six months ended 31 December 2008. Terms of reference of the Audit Committee are available on request to shareholders of the Company.

On behalf of the Board

William, Wai Leung Wu

Chief Executive Officer

Hong Kong, 12 February 2009

Review Report



TO THE BOARD OF DIRECTORS OF SW Kingsway Capital Holdings Limited

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 2 to 18 which comprises the consolidated balance sheet of SW Kingsway Capital Holdings Limited as of 31 December 2008 and the related consolidated income statement, and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters than might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 December 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

12 February 2009

Directory of Licensed Subsidiaries and Affiliates

Licensed Subsidiaries of SW Kingsway Capital Holdings Limited

Kingsway Financial Services Group Limited

Licensed Corporation of the 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 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 Securities and Futures
Commission

Kingsway SW Finance Limited

Money Lender registered with the HKSAR Government

Kingsway SBF Investment Management Company Limited

Licensed Corporation of the Securities and Futures
Commission

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
Rm 801, Building A, Beijing Fortune Plaza,
No. 7 Dongsanhuan Zhong Road, Chaoyang District,
Beijing, 100020, PRC
- Shanghai Kingsway Financial Consultancy Limited
Room 3303, Officer Tower, Jinmao Tower,
88 Century Avenue, Pudong, Shanghai 200121, PRC
- Shenzhen Kingsway Financial Consultancy Limited
701, Tower A, Aerospace Skyscraper,
4019 Shennan Road, Futian District, Shenzhen,
518048, PRC

Ultimate Holding Company

Kingsway International Holdings Limited

A listed company on the Toronto Stock Exchange



KingswayGroup

SW Kingsway Capital Holdings Limited

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