集團 滙富

KingswayGroup

SW Kingsway Capital Holdings Limited

滙 富 金 融 控 股 有 限 公 司 *

Incorporated in Bermuda with limited liability

Stock Code: 00188

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

A Bright Future

Annual Report 2009

*For identification purpose only

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	Insurance Brokerage		China Properties

With over 15 years in the capital markets, 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 "Kingsway", "the Group", or "We" in this Annual Report refer to SW Kingsway Capital Holdings Limited and its subsidiaries.

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.

CONTENTS

Chief Executive's Statement

Dear Friends and Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of SW Kingsway Capital Holdings Limited for the financial year ended 30 June 2009 (the "Period").

In the first half of the Period, the global sub-prime crisis noted in my 2008 statement developed into the worldwide financial tsunami, which culminated in the collapse of investment banking giant, Lehman Brothers. As a result of the economic downturn, the Hong Kong securities market continued its downward spiral and the Hang Seng Index went below 11,000, its lowest level since the beginning of the financial tsunami. However, after the fall of Lehman Brothers, the bail out of a number of financial institutions by different governments and global orchestrated rounds of interest rates cuts help to stabilise the financial markets. The new quantitative easing measures adopted by a number of central banks in spring 2009 provide further boosts to the markets. China and other emerging markets outperformed the developed countries in this rise and the Hang Seng Index has returned to the pre-Lehman Brothers fall level.

The loss attributable to shareholders for the Period was HK$61 million, which improved from last year. The net loss on investments reduced from HK$140 million last year to HK$7 million for the Period. The Hang Seng Index dropped by approximately 17% during the Period. Our small loss reflects the correct positioning of the investment team. As a result of the substantial drop in capital market activities, the client services divisions suffered a large decrease in revenue. Despite the efforts of management, overheads expenses could not be reduced to the same extent, since a lot of our cost components are fixed. We were also affected by the reduction in valuation of our investment properties during the Period.

We never forget our core values and always strike for excellence even in a difficult environment. We are one of the first sponsors to successfully launch an IPO in February 2009. In addition to the top positions in the Asiamoney Brokers Polls, which we have enjoyed for a number of years, we were named the Best Domestic Equity House in Hong Kong by Asiamoney in June 2009.

Market activities picked up a lot during the recent months but people are still skeptical whether this is the beginning of another bull cycle. We remain cautiously optimistic and are helping our customers to strengthen their positions through fund raising and merger and acquisition activities. We are also exploring new products and trading ideas to help our brokerage clients to be on top of the market movements. We believe that a good business partner should be there in good times or bad times and Kingsway will be ready to serve our clients no matter which way the market turns.

At Kingsway, we recognise that there are other values that we should adhere to in addition to maximising returns for our stakeholders. Details of what we have done are provided in the Social Responsibility Report and the Corporate Governance Report. We will continue to integrate our work with these important social values.

Finally, I would like to express my sincere thanks to all the staff for their dedicated support during this difficult period. The Board of Directors provided a lot of useful input in steering the Company through this turbulent time. Our customers also appreciate our effort and we would like to further grow our business together. The financial tsunami tells us that size is not a guarantee for success; we are now even more determined and prepared to build ourselves into a leading local middle-market financial institution.

Wu Wai Leung William
Chief Executive Officer

THE MARKET

The Hong Kong market was very volatile during the last fiscal year. The market reached the bottom following the failure of Lehman Brothers. It reached another trough in early March 2009 when HSBC announced its rights issue. However, the market gradually recovered since then with Hang Seng Index reaching recent highs in late July and early August. The outbreak of the human swine flu failed to put a stop to this upward momentum and Asian markets were the main beneficiaries in the current rise.

The Hang Seng Index closed at 18,379 at the end of June 2009, compared with 22,102 at the end of June 2008 and 14,387 at the end of December 2008. The average monthly turnover on the Main Board during the year ended 30 June 2009 was approximately HK$1,176 billion, as compared to HK$2,078 billion for the same period last year. Funds raised from IPO on the Main Board during the year ended 30 June 2009 amounted to HK$43 billion, as compared to HK$241 billion in the same period last year.

FINANCIAL HIGHLIGHTS

The Group recorded a loss of HK$54 million for the year ended 30 June 2009 (the "Period"), while loss attributable to shareholders for the Period was HK$61 million. Net loss on the disposal of financial assets and the remeasurement to fair value was HK$7 million. Commission and fee income for our financial intermediary business decreased from HK$139 million for the same period last year to HK$66 million this Period due to the decrease in market activities following the financial tsunami and the fall in demand for capital market investments. General and administrative expenses were HK$96 million, down from HK$127 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 and fee income.

BROKERAGE

Total revenue of the division was HK$51 million for the Period, compared with HK$111.9 million for the same period last year.

Due to the difficult market environment, average daily market turnover shrank by 43% from HK$101 billion in the same period last year to HK$58 billion in this Period. Reflecting the depressed market conditions, our brokerage commission dropped. The interest income also decreased by 82% to HK$5.1 million in the Period when compared with the same period last year, due to the shrinkage in our margin loan portfolio, the reduction of interest rates and the dry up of initial public offers.

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$16.7 million in revenue for the Period, compared with HK$54.6 million for the same period last year.

The successful listing of Come Sure Group (Holdings) Limited at the end of February 2009 was an important achievement for the division. The transaction was completed successfully due to careful planning and execution by our experienced team.

IPO activity fell significantly in the Period 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.

The division provided a specific provision of HK$5 million for the outstanding accounts receivable from a corporate finance client due to the uncertainty on collectability of amounts due from this client.

Kingsway was also named the Best Domestic Equity House in Hong Kong by the Asiamoney in June 2009.

ASSET MANAGEMENT

The division had a negative turnover of HK$4.7 million for the Period, compared with a negative turnover of HK$1.5 million for the same period last year. This mainly came from the loss on disposal of an investment received as management fees in prior years.

Sinochem Kingsway Capital Inc., a private equity fund co-sponsored with Sinochem Group is looking for 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. We will set up another private equity fund with Softbank AM Corporation if there are new investment opportunities.

INVESTMENT IN SECURITIES AND STRUCTURED INVESTMENT

These divisions had a turnover of HK$3.1 million, compared with a negative turnover of HK$130.3 million for the same period last year.

The Group has generally maintained its investment portfolio since the end of December 2007. Though the Hang Seng Index dropped by about 17% from end of June 2008 to end of June 2009, net realised and unrealised gain of HK$4.1 million was generated from the Hong Kong listed equity securities portfolio. The Group's portfolio was biased towards PRC companies and this proved to be the correct strategy.

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.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at end of June 2009 were HK$752 million, of which approximately 86% were current in nature. Net current assets were HK$473 million, accounting for approximately 82% of the net assets of the Group as at end of June 2009.

The Group generally finances its operations from internal resources. Total borrowings of approximately HK$56 million at the end of June 2009 comprised of the following:

– approximately HK$4.8 million in mortgage loans secured by the Group's office premises in Beijing and Shenzhen;
– approximately HK$1.2 million in finance lease obligations for office equipment; and
– approximately HK$50 million in short-term loan mainly utilised for re-financing customers' IPO subscriptions.

The short-term loan was repaid shortly after year end. These loans were mainly denominated in HK$ or US$ to match the future cash flows of our business operations.

The Group's properties with carrying values of HK$19.7 million were pledged as security against bank loans granted to the Group. At the year end, the Group's gearing ratio, calculated as a percentage of bank borrowings over shareholders' fund, was approximately 10%.

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$. As part of our investment monitoring process, financial assets denominated in foreign currencies, including equity and debt investments, are monitored on a daily basis together with the changes in market value of these investments. Hedging instruments may be used as part of the overall investment strategy if deemed necessary by the investment managers. The Group purchased properties in the PRC for its own use and holds properties in the PRC through jointly controlled entities for investment purposes. These assets are financed by internal resources and loans denominated in either HK$ or US$. Because of the steady exchange rate of RMB against HK$ and US$, 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

The number of full time employees decreased from 150 last year to 131 at the end of this financial year mainly due to strict cost control in this difficult market environment.

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.

The Group also operates an employee share option scheme, which is available to all full time employees 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.

2009 Staff Conference held at the Hong Kong Cricket Club

Caring for the Well-being of our Employees

Our employees are our most valuable asset. Our vision is to create an inclusive workplace culture at Kingsway that helps us attract, retain, and develop the best and brightest in our industry. By providing support to the Human Resources Department, Kingsway is committed to enhance employees' sense of belonging. A series of staff activities were organised by the Human Resources Department for the purpose of strengthening staff relationships. They included a Bowling Competition, quarterly tea parties, staff conference and our annual dinner. The staff conference is an annual event which sets out the Company's overall business strategy and direction for the coming year. The 2008/09 staff conference was held at the Hong Kong Cricket Club. During the conference, the Group successfully motivated and inspired our staff and built confidence in our goals and our leaders.

Actively Supporting Charity and Public Welfare

An essential component of our corporate social responsibility is to care for the community. We endeavor to make a positive contribution to the underprivileged by supporting a wide range of socio-economic and educational initiatives. Where possible, we offer a range of support to community organisations including financial donations and staff time.

Our involvement in such activities enables us to become more involved with the communities we work within and helps motivate employees by encouraging teamwork and collaboration outside their usual roles.

We are strongly aware of the needs of the community and support a number of activities in our neighbourhood during the year under review. Many of the programs and activities are driven by active participation from our employees.

Kingsway continues to participate in the "Skip-A-Meal" donation exercise for the third consecutive year

World Vision

"Skip-A-Meal"

In conjunction with our long term partner World Vision Hong Kong, Kingsway once again participate for a third consecutive year in the "Skip-A-Meal" program to help fight worldwide hunger and poverty. It is estimated that over half the world's population lives on less than $2 dollars a day. By participating in the Skip a Meal Campaign, Kingsway's staff enthusiastically skipped a meal and donated the proceeds of that meal to World Vision.

Team Spirit and Fun at the 2008 Dress Special Day

The Open University-Kingsway Financial Hall Ribbon Cutting Ceremony

The Community Chest

"Dress Special Day"

As one of the corporations that consistently support the work of The Community Chest, Kingsway again participated in the Community Chest's 2008 Dress Special Day. On 30 September 2008, Kingsway Staff gave a donation to the Community Chest for the right to "dress special" at work. This year's donations went to the "Family and Child Welfare Services", "Rehabilitation and After Care Services" and "Community Development Services", all supported by the Community Chest.

Commitment to Education

Our support for education and lifelong learning is a key area of our community involvement. Kingsway has worked relentlessly to ensure the spread of formal/non-formal education among all members in the community. Last year witnessed the opening of the new campus for the International Christian School. In honor of Kingsway's contribution of HK$1.6 million, the art gallery in the new campus was named "Kingsway Group Gallery of Art". This year we witnessed the opening of The Open University's new campus and in honor of Kingsway HK$1 million donation, the opening of "Kingsway Financial Hall".

Recognition from the Community

For the third consecutive year, Kingsway received the title of "Caring Company" from the Hong Kong Council of Social Service (HKCSS), in recognition of its ongoing efforts in community involvement. The Caring Company Scheme, organised by HKCSS, aims to build a caring community spirit through cultivating corporate citizenship and motivating strategic partnership. The Caring Company Logo is awarded to private companies and organisations which demonstrate good corporate citizenship and have satisfied two out the six criteria: Volunteering, Employee friendly, Employing the vulnerable, Caring for the environment, Mentoring and Giving. We would like to take this opportunity to once again express our heartfelt thanks to Hong Kong World Vision for nominating our company as a Caring Company in 2008.

Going Forward

Our contribution to charitable causes and dedicated involvement in community events serve as a solid foundation for our ongoing pursuit of corporate social responsibility. Looking ahead, we will seek to form strategic alliances with non-government organisations in order to launch more charity initiatives to benefit the public.

Kingsway has set a number of objectives to enhance our level of community involvement, and we will report our progress through our annual report. We will:

- Maintain our status as an Caring Company by continuing to demonstrate good corporate citizenship;
- Continue to focus our philanthropy on activities with employee participation; and
- Further promote and encourage new and existing volunteering opportunities to our people

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

Corporate Governance Report

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.

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 (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 30 June 2009.

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

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

Jonathan Koon Shum Choi	*Chairman*
Mary Yuk Sin Lam	*Deputy Chairman & Executive Director*
William Wai Leung Wu	*Chief Executive Officer & Executive Director*
Michael Koon Ming Choi	*Executive Director*
Rebecca Yuk Fung Lau	*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*
Michael Wai Chung Wu	*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 17 to 19.

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 management while day-to-day management of the Group is delegated to the management team of each respective subsidiary. 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 transactions.

The Board authorises the management to carry out the strategies that have been approved.

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 and assessing business performance and implementation. The attendance record of each director during the year ended 30 June 2009 is set out as follows:

Board Directors	Number of Board meetings Attended/eligible to attend
Chairman	
Jonathan Koon Shum Choi	4/4
Executive Directors	
Mary Yuk Sin Lam	4/4
William Wai Leung Wu	4/4
Michael Koon Ming Choi	4/4
Non-executive Directors	
Rebecca Yuk Fung Lau	3/4
Lee G. Lam	4/4
Independent Non-executive Directors	
Robert Tsai To Sze	4/4
Stanley Kam Chuen Ko	4/4
Michael Wai Chung Wu	3/4

The non-executive directors (a majority of whom are independent) provide the Group with a wide range of expertise and experience.

The Company has complied with Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of the independent non-executive directors has appropriate professional qualifications or accounting or related finance management expertise. 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Long before the implementation of the CG Code, the Company had taken the initiative to separate 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 William Wai Leung Wu serves as the Chief Executive Officer.

The Chairman is responsible for the leadership of the Board and 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. The responsibilities of the Chairman and the Chief Executive Officer are clearly segregated.

The Chairman is also responsible for ensuring that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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.

During the period under review, all non-executive directors of the Company were appointed for a specific term and subject to re-election pursuant to the Company's Bye-laws. Currently, Mr Michael Wai Chung Wu, Ms Rebecca Yuk Fung Lau, Dr Lee G. Lam, Mr Robert Tsai To Sze and Mr Stanley Kam Chuen Ko have each been appointed for a specific term of three years. Additionally, the Chairman, Dr Jonathan Koon Shum Choi has been appointed for a specific term of three years.

During the period under review, no director was appointed to fill any causal vacancy or otherwise.

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. It comprises three independent non-executive directors and a non-executive director during the year under review 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.

During the year ended 30 June 2009, two committee meetings were held, one to consider the annual results of the Group for the financial year ended 30 June 2008 including the discussion of internal controls report of several departments and one to consider the interim results of the Group for the six months ended 31 December 2008. The attendance record for each member during the year is set out as follows:

Committee members	**Number of Committee meetings Attended/eligible to attend**
Robert Tsai To Sze *(Chairman)*	2/2
Stanley Kam Chuen Ko	2/2
Michael Wai Chung Wu	1/2
Rebecca Yuk Fung Lau	2/2

(2) COMPENSATION COMMITTEE

Pursuant to code provision B.1.1 of the CG Code, a majority of the members of the remuneration committee should be independent non-executive directors. Currently, the Compensation Committee consists 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.1.3 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.

One committee meeting was held during the year ended 30 June 2009 to review and determine the specific remuneration packages including year end bonuses of certain directors and senior officers. It takes into account whether the packages offered are appropriate for the duties and performance of the directors and officers and whether the packages are competitive and sufficiently attractive to retain the executive directors and officers. The attendance record of each member is set out as follows:

Committee members	**Number of Committee meetings Attended/eligible to attend**
Stanley Kam Chuen Ko *(Chairman)*	1/1
Jonathan Koon Shum Choi	1/1
Robert Tsai To Sze	1/1
Mary Yuk Sin Lam	1/1
Michael Wai Chung Wu	1/1

(3) NOMINATION COMMITTEE

The Nomination Committee consists of the Chairman and Deputy Chairman of the Board and an independent non-executive director, who also acts as the chairman of the Nomination Committee.

The Nomination Committee's terms of reference includes those specific duties as set out in the code provision A.4.5 of the CG Code in September 2005. 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 for changes 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 Nomination Committee is responsible for identifying, recruiting and evaluating new nominees to the Board and the assessment of the qualifications of the 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.

As there were no new appointments of directors to consider and the composition of the Board remained unchanged, the Nomination Committee held one meeting during the year to review the structure, size, and composition of the Board. The attendance record of each member is set out as follows:

Committee members	**Attended/eligible to attend**
Stanley Kam Chuen Ko *(Chairman)*	1/1
Jonathan Koon Shum Choi	1/1
Mary Yuk Sin Lam	1/1

(4) CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee has been established since 2005 and currently consists of a non-executive director and two independent 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.

During the year ended 30 June 2009, the Corporate Governance Committee held one meeting to review the Company's corporate governance practices and to bring them in line with the CG Code. Details of the Corporate Governance member attendance record is shown below:

Committee members	**Number of Committee meeting Attended/eligible to attend**
Michael Wai Chung Wu *(Chairman)*	1/1
Rebecca Yuk Fung Lau	1/1
Stanley Kam Chuen Ko	1/1

Other Committees

Risk Management Control Committees

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 prudential 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 two executive directors. 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 Compliance, the Head of Operations and the Senior Accounting Manager. The committee meets on a monthly basis and reports to the Board through the Chairman 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, three SFO Responsible Officers from the Group's Brokerage Division, 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 two executive directors. The committee meets when the need arises.

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 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 CAO. L&C has unrestricted access to review all aspects of the Group's business activities. The CAO reports directly to the Chief Executive Officer 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 CAO meet on a monthly basis to review detailed financial accounts of each material business division.

The CAO 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 CAO 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

After the end of the financial year, KPMG, who acted as auditor of the Company for the past four years, resigned and Deloitte Touche Tohmatsu was appointed as auditor of the Company.

During the financial year and up to the date of this report, fees for auditing services and non-auditing services (including reports of agreed-upon procedures on on-going connected transactions) provided by the existing external auditor, Deloitte Touche Tohmatsu, for the year ended 30 June 2009 are HK$1,150,000 and HK$32,000 respectively. Fees for non-auditing services provided by the former external auditor, KPMG for the year ended 30 June 2009 are HK$365,000.

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 and Credit Committees 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

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. As of the 2009 Annual General Meeting, poll voting will be 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 will be explained to shareholders 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.kingswaygroup.com, where information and updates on the Company'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 (if any).

Biographical Details of Directors and Senior Management

CHAIRMAN

Dr Jonathan Koon Shum Choi, BBS, JP, aged 52, is the Chairman of the Group. He has been responsible for the overall strategic planning of the Group since 1995. Dr Choi is also Co-Chairman of Kingsway International Holdings 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 Sun Wah Group and director of the Vietnam Opportunity Fund listed on London AIM.

Apart from being a Member of the National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China (the "PRC"), Dr Choi also holds a number of public positions which include the Chairman of the Hong Kong Chinese General Chamber of Commerce, Honorary Consul of the Democratic Republic of Congo in Hong Kong, an Economic Advisor to the President of the Chinese Academy of Sciences, PRC, a Member of The Greater Pearl River Delta Business Council, Hong Kong SAR, the Chairman of the China Trade Advisory Committee of the Hong Kong Trade Development Council, the Chairman of the Hong Kong-Vietnam Chamber of Commerce, the Chairman of the China-India Software Association, and the Chairman of China Hong Kong Israel Technology Center. 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, the Nanjing University and the Northeastern University in Liaoning. Dr Choi has extensive experience in the financial services business, food industry, real estate development, international trade and technology. Dr Choi is the elder brother of Mr Michael Koon Ming Choi.

EXECUTIVE DIRECTORS

Ms Mary Yuk Sin Lam, aged 55, was re-appointed as an Executive Director and appointed as Deputy Chairman of the Company in April 2006. Prior to her appointments, Ms Lam was the Group Managing Director-Brokerage of Kingsway Financial Services Group Limited ("KSFGL"). Currently Ms Lam is a Securities and Futures Commission ("SFC") licensed representative of KFSGL. Prior to joining the Group in 1995, Ms Lam had over 12 years of experience in securities dealing with various securities houses. Ms Lam is also a member of the Hong Kong Securities Institute. Ms Lam is a director and Co-Chairman of Kingsway International Holdings Limited and a substantial shareholder of the Company pursuant to Part XV of the SFO. Ms Lam is the sister of Ms Rebecca Yuk Fung Lau.

Mr William Wai Leung Wu, aged 43, was appointed as Executive Director and Chief Executive Officer of the Company in April 2006 and June 2006 respectively. Mr Wu is responsible for the overall strategy, corporate planning and business development of the Group. Mr Wu joined the Group in 2002 as the Head of Equity Capital Markets and was appointed as the Group Managing Director – Investment Banking of KFSGL in 2005. Mr Wu has extensive experience in the investment banking and institutional broking business covering clients all around the world. Prior to joining the Group in 2002, Mr Wu held senior positions in several local and international investment banks. Mr Wu has over 16 years of experience in the financial services industry.

Mr Michael Koon Ming Choi, aged 41, was appointed as an Executive Director of the Company since 2000. Mr Choi has extensive experience in the financing activities of corporate and property mortgage, real estate development and property investment prior to joining the Group in 1995. Mr Choi is a director of Kingsway International Holdings Limited, a substantial shareholder of the Company pursuant to Part XV of the SFO. Mr Choi is the brother of Dr Jonathan Koon Shum Choi.

NON-EXECUTIVE DIRECTORS

Ms Rebecca Yuk Fung Lau, aged 50, was appointed as an Executive Director in September 2004. Ms Lau was appointed as the Deputy Chief Executive Officer in June 2006. In December 2006, Ms Lau was re-designated as a Non-Executive Director. Ms Lau joined the Group as Legal Counsel in 2000 and was promoted to Head of Legal and Compliance and Company Secretary in 2001. Ms Lau was also the former Chief Operating Officer of the Group. Ms Lau is a qualified solicitor of the High Court of Hong Kong and the Supreme Court of England and Wales. She has over 25 years experience in the commercial area covering legal, investment advisory and insurance fields in Hong Kong, Taiwan, Philippines, Canada and the USA. Prior to joining the Group, she was with Linklaters, an international law firm. Ms Lau is the sister of Ms Mary Yuk Sin Lam.

Dr Lee G. Lam, aged 50, was appointed as a Non-Executive Director of the Company in February 2007. Dr Lam 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 UK, a PCLL in law (and has completed the Bar Course) from the City University of Hong Kong, and a Doctor of Philosophy from the University of Hong Kong. Dr Lam has over 26 years of general management, corporate governance, investment banking, and direct investment experience. He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves as an independent or non-executive director of several publicly-listed companies in the Asia Pacific region. Dr Lam is a non-executive director or independent non-executive director of Hong Kong-listed Glorious Sun Enterprises Limited, Capital Strategic Investment Limited, Far East Holdings International Limited, Finet Group Limited, Hutchison Harbour Ring Limited, Mingyuan Medicare Development Company Limited, Vongroup Limited, China.com Inc. and Singapore-listed Rowsley Limited. In 2009, he was appointed a non-executive director of Singapore-listed Asia Pacific Strategic Investments Limited and BanJoo & Company Limited. He served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong SAR for two terms. Dr Lam is a Member of the Jilin Province Committee of the Chinese People's Political Consultative Committee (CPPCC), a Member of the Hong Kong Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the Young Presidents' Organisation, a Fellow of the Hong Kong Institute of Directors and a Member of its Corporate Governance Committee, a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, and a Visiting Professor at the School of Economics & Management of Tsinghua University in Beijing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Robert Tsai To Sze, aged 68, 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, Asia Satellite Telecommunications Holdings Limited, 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 63, 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 Member of Hong Kong/Japan Business Cooperation Committee, a Director of The Link Management Limited and China National Aviation Corporation (Group) Ltd. Mr Ko is the Chairman of LARK International Holdings Limited, Boyden China Ltd and Jardine Airport Services Ltd.

Mr Michael Wai Chung Wu, aged 60, was appointed as an Independent Non-Executive Director in 2000 and was subsequently appointed as an Executive Director of the Company in December 2002. In January 2005 Mr Wu was re-designated as a Non-Executive Director. In January 2007 Mr Wu was further re-designated as an Independent Non-Executive Director. Mr Wu was formerly the Deputy Chairman of the Shanghai Stock Exchange and a Commissioner in the Strategy & Development Committee of the China Securities Regulatory Commission in the PRC. Prior to that, he was the Deputy Chairman, Chief Operating Officer and Executive Director of the SFC responsible for the Intermediaries Division, comprising the Licensing and Intermediaries Supervision Departments until his departure on 31 December 1997. Mr Wu is currently an independent non-executive director of Shenzhen Investment Limited and First Mobile Group Holdings Limited. On 13 July 2009, Mr Wu resigned as an independent non-executive director of Tradelink Electronic Commerce Limited and effective 1 October 2009 was reappointed as an executive director.

CHIEF FINANCIAL OFFICER

Mr Eric Kwok Keung Chan, aged 46, was appointed as Chief Financial Officer (CFO) in April 2004. Mr Chan is responsible for overseeing the Group's financial operations. Mr Chan is a fellow member 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 9 countries and annual turnover of over HK$6 billion.

CHIEF ADMINISTRATIVE OFFICER AND COMPANY SECRETARY

Mr Vincent Wai Shun Lai, aged 48, was appointed as the Company Secretary in November 2004. Mr Lai is also the Chief Administrative Officer of the Company. Mr Lai is a qualified solicitor of the High Court of the Hong Kong SAR 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 financial statements for the year ended 30 June 2009.

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 32 on the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group are set out in note 6 on the consolidated financial statements.

Results and appropriations

The loss of the Group for the year ended 30 June 2009 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 31 to 86.

An interim dividend for the year ended 30 June 2009 of 0.33 HK cent per ordinary share was paid on 12 March 2009. The directors propose, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of 0.7 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 87 of the annual report.

Reserves

Movements in the reserves of the Group during the year are set out in note 28 on the financial statements.

Donations

Charitable and other donations made by the Group in last year amounted to HK$508,276.

Properties and equipment

Movements in properties and equipment of the Group during the year are set out in note 12 on the financial statements.

Share capital

Details of the Company's share capital are set out in note 26 on the financial statements.

Distributable reserves

The Company's reserves available for distribution to shareholders as at 30 June 2009 consisted of contributed surplus of HK$199,229,696 (2008: HK$199,229,696) and retained profits of HK$90,629,104 (2008: HK$136,576,761).

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 23 August 2000, 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	:	As an incentive to executive management and employees.
(ii)	Participants of the Scheme	:	Eligible full-time employees including executive directors of the Company and its subsidiaries.
(iii)	Maximum number of shares available for subscription	:	Before 1 September 2001, the maximum number of shares in respect of which options could be granted under the Scheme and any other share option schemes of the Company could not exceed 10% of the issued share capital of the Company from time to time. On or after 1 September 2001, it cannot exceed 10% of the issued share capital as at 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, 244,941,034 shares (representing 7.54% of total issued share capital) are available for issue under the Scheme.
(v)	Maximum entitlement of each participant under the Scheme	:	Before 1 September 2001, 25% of the aggregate number of shares issued and issuable under the Scheme. After 1 September 2001, in any 12-month period not more than 1% of the shares in issue.
(vi)	Minimum period for which an option must be held before it can be exercised and the exercise period of the option	:	Subject to the decision of the Board, the exercise period of the option cannot exceed a period of 42 months commencing on the later of (i) the expiry of 6 months after the date on which the option is accepted or (ii) the expiry of 12 months from the date of employment of such grantee with the Group, or such shorter period as the Board may from time to time determine, provided that only up to one-third of the option granted can be exercised in any 12-month period.
(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.
(viii)	Basis of determining the exercise price	:	For options granted before 1 September 2001, the exercise price is determined by the Board and will not be less than 80% of the average closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is the higher. For options granted on or after 1 September 2001, the exercise price is the highest of the nominal value of the shares; the closing price of the shares on the Stock Exchange on the date of grant; and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant.
(ix)	Remaining life of the Scheme	:	The Scheme will expire on 22 August 2010.

Note: There were no share options outstanding as at 30 June 2009 and 2008.

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)
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

In accordance with clauses 86(2) and 87(1) of the Company's Bye-Laws, Dr Jonathan Koon Shum Choi, Ms Mary Yuk Sin Lam and Mr Stanley Kam Chuen Ko will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

The Company has received annual confirmations of independence from Mr Robert Tsai To Sze, Mr Stanley Kam Chuen Ko and Mr Michael Wai Chung Wu 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 17 to 19.

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 2009, 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 **	10,653,096	26,828,055 *(Note 1)*	–	37,481,151	46.7%
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 ORDINARY SHARES OF THE COMPANY AND COMMON SHARES OF 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 30 June 2009 and 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 interests	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 43,106,151 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 30 June 2009, 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 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 2009, 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.

			Number of ordinary shares in the Company		%	
	Name of shareholders	Country of incorporation	Direct interest	Deemed interest	% of total issued shares	Note
(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 46.7% 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.

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 31 on the 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")

The Group did not grant any loan to the directors and their respective associates for margin financing transactions during the year.

Related party and connected party transactions (Continued)

(c) Securities transactions between Kingsway Financial and SBI E*Trade Securities Company Limited (SBI E*Trade) (the "E*Trade Transactions")

SBI E*Trade is a subsidiary of SBI Holdings, Inc., which in turn is a minority shareholder of a subsidiary of the Group. SBI E*Trade entered into a brokerage agreement with Kingsway Financial on 11 March 2005 and a supplemental agreement on 11 March 2007 appointing Kingsway Financial as its executing broker and custodian, to execute and facilitate the clearing of all of SBI E*Trade's securities transactions for securities traded on the Stock Exchange made through the electronic trading platform. The appointment will terminate on 14 March 2010. The brokerage commission rate is set at the same level as those normally offered to third party clients and is subject to a minimum monthly fee. The total brokerage commission received by the Group under the arrangement amounted to HK$1,988,065 for the year ended 30 June 2009.

The Securities Transactions, Margin Financing Transactions and E*Trade Transactions are hereinafter referred to as the "Transactions".

The independent non-executive directors have reviewed the Transactions as disclosed in notes (a), (b) and (c) above and confirmed that:

(1) the Transactions are:

- (i) entered into in the ordinary course of business of each of the companies of the Group;
- (ii) on normal commercial terms; and
- (iii) fair and reasonable so far as the shareholders of the Company are concerned;

(2) (i) the aggregate amount of the commission received by the Group in respect of the Securities Transactions for the year ended 30 June 2009 did not exceed HK$10 million; and

(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 2009 did not exceed HK$10 million.

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; and

(ii) had been entered into in accordance with the relevant agreements governing the transactions.

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 8 to 16.

Directors' interest in competing business

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

(1) Kingsway International and its subsidiaries, other than those in the Group ("Kingsway 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 Kingsway International on 25 August 2000 ("the Kingsway International Undertaking"). According to the Kingsway International Undertaking, Kingsway International shall not, and shall procure Kingsway 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. Kingsway International has also undertaken not to, and will procure Kingsway International Group not to, apply for or obtain licenses to conduct such services in Hong Kong. In addition, investment in securities for the Group and the Kingsway 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

Messrs. KPMG, who acted as auditor of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu was appointed as auditor of the Company. A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

By order of the board

Jonathan Koon Shum Choi
Chairman

Hong Kong, 17 September 2009

Independent Auditor's Report

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

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SW Kingsway Capital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 86, which comprise the consolidated and Company balance sheets as at 30 June 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to 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 and true and fair presentation of the consolidated financial statements 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 2009 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

17 September 2009

Consolidated Income Statement

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

	Notes	2009	2008
Turnover			
Net loss on disposal of financial assets at fair value through profit or loss and remeasurement to fair value	*3*	**$ (6,799,047)**	$ (140,154,399)
Commission and fee income	*3*	**65,769,206**	139,450,296
Interest and dividend income	*3*	**8,848,051**	32,957,856
		$ 67,818,210	$ 32,253,753
Other income	*4*	**1,064,052**	4,428,904
		$ 68,882,262	$ 36,682,657
Operating expenses			
Commission expenses		**(13,508,240)**	(28,418,192)
General and administrative expenses		**(95,953,020)**	(127,411,141)
Finance costs	*5(a)*	**(365,130)**	(11,696,222)
		$ (40,944,128)	$ (130,842,898)
Share of losses of associates	*15*	**(14,184,480)**	(4,516,965)
Share of (losses)/profits of jointly controlled entities	*16*	**(18,069,571)**	40,958,315
Loss before taxation	*5*	**$ (73,198,179)**	$ (94,401,548)
Income tax credit/(expense)	*7(a)*	**19,052,523**	(3,309,287)
Loss for the year		**$ (54,145,656)**	$ (97,710,835)
Attributable to:			
Equity shareholders of the Company	*9*	**$ (61,239,560)**	$ (107,511,696)
Minority interests	*28*	**7,093,904**	9,800,861
Loss for the year		**$ (54,145,656)**	$ (97,710,835)
Dividends payable to equity shareholders of the Company attributable to the year:	*10*		
Interim dividend paid during the year		**$ 10,719,139**	$ 11,368,784
Final dividend proposed after the balance sheet date		**22,737,567**	22,737,567
		$ 33,456,706	$ 34,106,351
Basic loss per share	*11(a)*	**(1.9) cents**	(3.3) cents
Diluted loss per share	*11(b)*	**N/A**	N/A

The notes on pages 37 to 86 form part of these consolidated financial statements.

Consolidated Balance Sheet

At 30 June 2009 (Expressed in Hong Kong dollars)

	Notes	2009	2008
Non-current assets			
Properties and equipment	12	**$ 25,471,672**	$ 28,869,500
Intangible assets	13	**2,331,141**	2,331,141
Interests in associates	15	**31,513,175**	45,696,885
Interests in jointly controlled entities	16	**39,137,566**	57,207,137
Amounts due from jointly controlled entities	16	**–**	101,200,968
Other financial assets	17	**8,809,081**	8,918,385
		$ 107,262,635	$ 244,224,016
Current assets			
Financial assets at fair value through profit or loss	18	**$ 222,660,272**	$ 318,478,470
Accounts, loans and other receivables	19	**186,186,483**	182,618,355
Amounts due from related companies	20	**17,804**	17,804
Amounts due from jointly controlled entities	16	**102,840,608**	–
Cash and cash equivalents	21	**133,446,689**	168,391,088
		$ 645,151,856	$ 669,505,717
Current liabilities			
Accruals, accounts and other payables	22	**$ 116,742,804**	$ 168,252,118
Bank loans	23	**50,737,516**	680,769
Obligations under finance leases	24	**561,659**	501,137
Current taxation		**3,934,957**	38,691,654
		$ 171,976,936	$ 208,125,678
Net current assets		**$ 473,174,920**	$ 461,380,039
Total assets less current liabilities		**$ 580,437,555**	$ 705,604,055
Non-current liabilities			
Non-current bank loans	23	**$ 4,032,181**	$ 4,787,693
Non-current obligations under finance leases	24	**685,061**	1,246,720
Deferred tax liabilities	25	**362,228**	425,165
		$ 5,079,470	$ 6,459,578
NET ASSETS		**$ 575,358,085**	$ 699,144,477
CAPITAL AND RESERVES			
Share capital	26	**$ 324,822,391**	$ 324,822,391
Reserves	28	**250,355,385**	346,531,459
		$ 575,177,776	$ 671,353,850
Minority interests	28	**180,309**	27,790,627
TOTAL EQUITY		**$ 575,358,085**	$ 699,144,477

Approved and authorised for issue by the board of directors on 17 September 2009

Mary Yuk Sin Lam
Director

William Wai Leung Wu
Director

The notes on pages 37 to 86 form part of these consolidated financial statements.

Balance Sheet

At 30 June 2009 (Expressed in Hong Kong dollars)

	Notes	2009	2008
Non-current assets			
Interest in subsidiaries	14	**$ 262,222,358**	$ 271,222,358
Current assets			
Prepayments and deposits	19	**$ 180,050**	$ 182,100
Amounts due from subsidiaries	20	**354,255,800**	391,780,496
Cash and cash equivalents		**30,430,908**	30,427,212
		$ 384,866,758	$ 422,389,808
Current liabilities			
Accruals, accounts and other payables	22	**$ 596,765**	$ 1,172,158
Net current assets		**$ 384,269,993**	$ 421,217,650
NET ASSETS		**$ 646,492,351**	$ 692,440,008
CAPITAL AND RESERVES			
Share capital	26	**$ 324,822,391**	$ 324,822,391
Reserves	28	**321,669,960**	367,617,617
TOTAL EQUITY		**$ 646,492,351**	$ 692,440,008

Approved and authorised for issue by the board of directors on 17 September 2009.

Mary Yuk Sin Lam
Director

William Wai Leung Wu
Director

The notes on pages 37 to 86 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

	Notes	2009	2008
Total equity at 1 July 2008/2007		**$ 699,144,477**	$ 891,981,103
Net income /(loss) recognised directly in equity:			
Exchange differences on translation of			
financial statements of overseas subsidiaries	28	**$ 48,385**	$ (1,492,851)
Share of reserve of associates	28	**770**	(26,683)
(Deficit)/surplus on revaluation of land and buildings held for own use	28	**(1,528,963)**	6,000,094
Net (loss)/income for the year recognised directly in equity		**$ (1,479,808)**	$ 4,480,560
Net loss for the year	28	**(54,145,656)**	(97,710,835)
Total recognised income and expense for the year		**$ (55,625,464)**	$ (93,230,275)
Attributable to:			
Equity shareholders of the Company		**$ (62,719,368)**	$ (103,031,136)
Minority interests		**7,093,904**	9,800,861
		$ (55,625,464)	$ (93,230,275)
Dividends paid to:			
Equity shareholders of the Company	28	**$ (33,456,706)**	$ (34,106,351)
Minority interests	28	**(14,605,002)**	(50,500,000)
		$ (48,061,708)	$ (84,606,351)
Movements in equity arising from capital transactions:			
Return of capital to minority interests	28	**$ (20,099,220)**	$ (15,000,000)
		$ (20,099,220)	$ (15,000,000)
Total equity at 30 June 2009/2008		**$ 575,358,085**	$ 699,144,477

The notes on pages 37 to 86 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

		2009		2008
Operating activities				
Loss before taxation	**$**	**(73,198,179)**	$	(94,401,548)
Adjustment for:				
Depreciation		**3,331,907**		3,128,056
Interest expense		**365,130**		11,696,222
Dividend income		**(3,764,726)**		(4,943,237)
Interest income		**(5,083,325)**		(28,014,619)
Share of losses of associates		**14,184,480**		4,516,965
Share of losses/(profits) of jointly controlled entities		**18,069,571**		(40,958,315)
Net loss on disposal of equipment		**4,875**		–
Charge for impairment losses for bad and doubtful debts (net)		**5,028,658**		55,385
Effect of foreign exchange rate changes		**49,335**		(1,542,094)
Operating loss before changes in working capital	**$**	**(41,012,274)**	$	(150,463,185)
Decrease in other financial assets		**109,304**		55,725
Decrease in financial assets at fair value through profit or loss		**95,818,198**		279,493,405
(Increase)/decrease in accounts, loans and other receivables		**(7,588,523)**		997,534,297
Increase in amounts due from jointly controlled entities		**(137,590)**		(1,618,929)
Decrease in accruals, accounts and other payables		**(51,505,035)**		(87,849,039)
Decrease in financial liabilities at fair value through profit or loss		**–**		(83,700,000)
Cash (used in)/generated from operations	**$**	**(4,315,920)**	$	953,452,274
Interest received		**3,581,275**		26,520,628
Dividend received		**2,756,463**		4,943,237
Interest paid		**(369,409)**		(11,703,005)
Hong Kong Profits Tax paid		**(15,767,111)**		(2,671,528)
Hong Kong Profits Tax refunded		**–**		3,395,834
Net cash (used in)/generated from operating activities	**$**	**(14,114,702)**	$	973,937,440

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

	Note	2009	2008
Investing activities			
Payment for purchase of properties and equipment		**$ (1,468,867)**	$ (1,930,554)
Dividend received from an associate		**–**	500,000
Proceeds from disposal of subsidiaries	*33*	**–**	455,000
Net cash used in investing activities		**$ (1,468,867)**	$ (975,554)
Financing activities			
Repayment of bank loans		**$ (698,765)**	$ (792,592,948)
Proceeds from new bank loan		**50,000,000**	–
Repayment of obligations under finance leases		**(501,137)**	(447,136)
Dividends paid to equity shareholders of the Company		**(33,456,706)**	(34,106,351)
Return of capital to minority interests		**(20,099,220)**	(15,000,000)
Dividends paid to minority interests		**(14,605,002)**	(50,500,000)
Net cash used in financing activities		**$ (19,360,830)**	$ (892,646,435)
Net (decrease)/increase in cash and cash equivalents		**$ (34,944,399)**	$ 80,315,451
Cash and cash equivalents at 1 July 2008/2007		**168,391,088**	88,075,637
Cash and cash equivalents at 30 June 2009/2008		**$ 133,446,689**	$ 168,391,088
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		**$ 133,446,689**	$ 168,391,088

The notes on pages 37 to 86 form part of these consolidated financial statements.

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 address of the registered office and the principal place of business of the Company are disclosed in the Corporate Information of the annual report.

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 32.

2 Significant accounting policies

(a) STATEMENT OF COMPLIANCE

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

The consolidated financial statements have been prepared on the historical cost convention except that, as explained in the accounting policies below, land and buildings held for own use and financial assets held at fair value through profit or loss are stated at fair value.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group and the Company. The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

(b) BASIS OF PREPARATION AND CONSOLIDATION

The consolidated financial statements for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

2 Significant accounting policies (Continued)

(c) SUBSIDIARIES AND MINORITY INTERESTS

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

(d) ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

An associate is a company in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

2 Significant accounting policies (Continued)

(d) ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (Continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

(e) GOODWILL

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the consolidated income statement.

Goodwill arising on acquisitions prior to 1 July 2001 continues to be held in reserves, and will be charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

On disposal of a cash-generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) FINANCIAL INSTRUMENTS

(i) Initial recognition

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the Group 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 consolidated income statement.

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, held-to-maturity investments and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

2 Significant accounting policies (Continued)

(f) FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Categorisation

Fair value through profit or loss

This category comprises financial assets and financial liabilities held for trading, and those designated at fair value through profit or loss on initial recognition. Trading financial instruments are financial assets or financial liabilities which are acquired principally for the purpose of trading in the near future, or are part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking. Non-hedging derivatives are accounted for as trading instruments. Financial assets and financial liabilities may be designated at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial assets and financial liabilities form 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.

At each balance sheet date subsequent to initial recognition, financial assets and financial liabilities under this category are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the consolidated income statement. The net gain or loss recognised in the consolidated income statement excludes any dividend or interest earned on the financial assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses, if any (see note 2(j)).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly comprise accounts and other receivables, secured margin loans and secured loans. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses, if any (see note 2(j)) unless the effect of discounting would be immaterial. In such case, the receivables are stated at cost less impairment losses, if any (see note 2(j)).

2 Significant accounting policies (Continued)

(f) FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Fair value measurement principles

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

(iv) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

The Group uses the weighted average method to determine realised gains and losses to be recognised in consolidated income statement on derecognition.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(g) 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 and non-redeemable club memberships have indefinite useful lives and are recognised as intangible assets in the consolidated balance sheet. They are stated at cost less impairment losses (see note 2(j)) and are tested for impairment annually by comparing their recoverable amount with their carrying amount.

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 the consolidated income statement when the asset is derecognised.

2 Significant accounting policies (Continued)

(h) PROPERTY AND EQUIPMENT

(i) Land and buildings held for own use

Land and buildings held for own use are stated in the consolidated balance sheet at their revalued amounts, being their 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 amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Changes arising on the revaluation of land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the consolidated income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the consolidated income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the consolidated income statement.

Gains or losses arising from the retirement or disposal of land and buildings are determined as the difference between the net disposal proceeds and the carrying amount of this item and are recognised in the consolidated income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(ii) Equipment

Equipment, comprising leasehold improvements, furniture and fixtures, office equipment and motor vehicles is stated at cost less accumulated depreciation and impairment losses (see note 2(j)).

The gain or loss on disposal of equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

(iii) Depreciation

Depreciation is calculated to write off the cost or valuation of items of land and buildings held for own use and equipment, less their estimated residual value, 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%

Both the useful life of an asset and its residual value, if any, are reviewed annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 Significant accounting policies (Continued)

(i) LEASED ASSETS

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except that property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). Finance charges implicit in the lease payments are charged to the consolidated income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

(j) IMPAIRMENT OF ASSETS

(i) Held-to-maturity investments and loans and receivables

Held-to-maturity investments and loans and receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. The impairment loss is measured as the difference between the carrying value of the financial asset and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset where the effect of discounting is material. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated income statement. A reversal of an impairment loss shall not result in the carrying value of the asset exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 Significant accounting policies (Continued)

(j) IMPAIRMENT OF ASSETS

(ii) Other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the equipment, intangible assets, goodwill and investments in subsidiaries, associates and jointly controlled entities may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. 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 time value of money and the risks specific to the assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment loss

An impairment loss is recognised in consolidated income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the carrying value of the assets that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

(k) 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 cash flow statement.

2 Significant accounting policies (Continued)

(l) ACCOUNTS AND OTHER PAYABLES

Accounts and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) 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 balance sheet date. 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 has operated a defined-contribution pension scheme ("MPF Scheme") since 1 December 2000 under the rules and regulations of the Hong Kong Mandatory Provident Fund ("MPF") Schemes Ordinance. The assets of the MPF Scheme 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 $20,000 imposed by the MPF Schemes Ordinance. Additional contribution may be made by the Group if certain conditions are met. The Group's contributions to the MPF Scheme are expensed as the employees have rendered their service entitling them to the contributions and are reduced by contributions forfeited, if applicable, by those employees who leave the scheme prior to vesting fully in the contributions.

2 Significant accounting policies (Continued)

(n) EMPLOYEE BENEFITS (Continued)

(iv) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated income statement for the year of the review. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(o) INCOME TAX

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 Significant accounting policies (Continued)

(o) INCOME TAX (CONTINUED)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies (Continued)

(p) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) REVENUE RECOGNITION

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

(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 listed investments is recognised when the share price of the investment goes ex-dividend. Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.

(iv) Payments received under operating leases net of any incentives paid to the lessee are recognised as rental income on a straight-line basis.

2 Significant accounting policies (Continued)

(r) TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Exchange differences relating to financial instruments at fair value through profit or loss and derivative financial instruments are included in gains and losses on investments and net gain/(loss) on derivatives, respectively. All other exchange differences relating to monetary items are presented separately in the consolidated income statement.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 July 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 July 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(s) RELATED PARTIES

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

2 Significant accounting policies (Continued)

(s) RELATED PARTIES (Continued)

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(t) SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these consolidated financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include financial instruments, trade receivables and properties and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidated process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated item represents tax balances of the Group.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

3 Turnover

The principal activities of the Group are investment in securities, stock, options, futures and commodities brokerage, provision of financial advisory services, asset management, money lending and other securities related financial services.

	2009	2008
Net gain/(loss) on disposal of financial assets at fair value through profit or loss and remeasurement to fair value		
– equity securities	**$ 4,117,355**	$ (130,625,052)
– debt securities designated at fair value through profit or loss	**(591,298)**	4,166,533
– derivatives and others	**(10,325,104)**	(13,695,880)
	$ (6,799,047)	$ (140,154,399)
Commission and fee income on		
– stock, options, futures and commodities brokerage	**$ 47,231,754**	$ 86,197,706
– underwriting and placements in equity capital markets	**3,204,445**	22,166,652
– corporate finance	**11,426,567**	16,182,673
– miscellaneous fee income	**3,906,440**	14,903,265
	$ 65,769,206	$ 139,450,296
Interest and dividend income		
– interest from		
– bank deposits	**$ 1,969,998**	$ 7,393,414
– margin and IPO financing	**1,595,961**	18,582,581
– other financing	**–**	237,584
– others	**1,517,366**	1,801,040
– dividends from listed equity securities	**3,764,726**	4,943,237
	$ 8,848,051	$ 32,957,856
	$ 67,818,210	$ 32,253,753

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

4 Other income

		2009		2008
Exchange gain (net)	$	–	$	2,642,487
Other income		1,064,052		1,786,417
	$	1,064,052	$	4,428,904

5 Loss before taxation

Loss before taxation is arrived at after charging:

		2009		2008
(a) Finance costs:				
Interest on:				
– bank loans and overdrafts	$	190,363	$	11,397,317
– obligations under finance leases		174,463		228,464
– other		304		70,441
	$	365,130	$	11,696,222
(b) Staff costs:				
Salaries and other allowances	$	53,870,052	$	81,198,108
Pension costs – defined contribution plan		1,436,413		1,646,542
	$	55,306,465	$	82,844,650
(c) Other items:				
Impairment losses for accounts and other receivables (net)	$	5,028,658	$	55,385
Operating lease charges – land and buildings		8,645,068		8,383,356
Share of associates' taxation		384,208		781,460
Depreciation		3,331,907		3,128,056
Net loss on disposal of equipment		4,875		–
Auditors' remuneration		1,587,696		2,076,723
Exchange loss (net)		270,514		–

6 Segment reporting

(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, 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

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.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

6 Segment reporting (Continued)

	2009						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Segmental income statement							
Turnover	$ 98,652	$ 3,044,653	$ 49,914,627	$ 16,657,711	$ (4,657,631)	$ 2,760,198	$ 67,818,210
Inter-segment revenue	585	1,857	716,468	–	238,261	20,863,166	21,820,337
Other income	–	–	407,731	88,719	5,656	561,946	1,064,052
	$ 99,237	$ 3,046,510	$ 51,038,826	$ 16,746,430	$ (4,413,714)	$ 24,185,310	$ 90,702,599
Eliminations							(21,820,337)
Total income							$ 68,882,262
Segment results	$ (4,246,118)	$ 2,419,173	$ (19,450,175)	$ (7,760,530)	$ (6,597,260)	$ (5,309,218)	$ (40,944,128)
Share of losses of associates	$ –	$ (13,246,264)	$ (645,736)	$ –	$ (292,480)	$ –	(14,184,480)
Share of losses of jointly controlled entities	–	(18,069,571)	–	–	–	–	(18,069,571)
Loss before taxation							$ (73,198,179)
Income tax credit							19,052,523
Loss after taxation							$ (54,145,656)
Segment assets and liabilities							
Segment assets	$ 205,276,398	$ 24,055,230	$ 283,902,545	$ 7,748,744	$ 1,073,206	$ 61,202,803	$ 583,258,926
Interests in associates	–	18,506,355	12,632,084	–	374,736	–	31,513,175
Interests in jointly controlled entities	–	39,137,566	–	–	–	–	39,137,566
Amounts due from jointly controlled entities	–	102,840,608	–	–	–	–	102,840,608
							$ 756,750,275
Eliminations							(4,335,784)
Total assets							$ 752,414,491
Segment liabilities	$ 86,500	$ –	$ 160,904,834	$ 661,512	$ 70,500	$ 15,371,659	$ 177,095,005
Unallocated liabilities							4,297,185
							$ 181,392,190
Eliminations							(4,335,784)
Total liabilities							$ 177,056,406
Other segmental information							
Depreciation of tangible assets for the year	$ –	$ –	$ 1,093,154	$ 162,752	$ 8,536	$ 2,067,465	$ 3,331,907
Capital expenditure during the year	$ –	$ –	$ 639,467	$ –	$ –	$ 829,400	$ 1,468,867
Charge for impairment losses	$ –	$ –	$ 9,304	$ 5,019,354	$ –	$ –	$ 5,028,658
Net loss on disposal of equipment	$ –	$ 4,875	$ –	$ –	$ –	$ –	$ 4,875

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

6 Segment reporting (Continued)

	2008						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Segmental income statement							
Turnover	$ (143,386,062)	$ 13,061,361	$ 106,999,204	$ 54,440,899	$ (1,504,371)	$ 2,642,722	$ 32,253,753
Inter-segment revenue	28,114	266,423	4,030,391	–	10,010,618	23,466,369	37,801,915
Other income	32,513	782,580	907,034	166,781	–	2,539,996	4,428,904
	$ (143,325,435)	$ 14,110,364	$ 111,936,629	$ 54,607,680	$ 8,506,247	$ 28,649,087	$ 74,484,572
Eliminations							(37,801,915)
Total income							$ 36,682,657
Segment results	$ (152,794,857)	$ 3,731,765	$ 7,010,039	$ 17,618,281	$ (3,311,589)	$ (3,096,537)	$ (130,842,898)
Share of (losses)/profits of associates	$ –	$ (7,330,630)	$ 4,372,494	$ –	$ (1,558,829)	$ –	(4,516,965)
Share of profits of jointly controlled entities	–	40,958,315	–	–	–	–	40,958,315
Loss before taxation							$ (94,401,548)
Income tax expense							(3,309,287)
Loss after taxation							$ (97,710,835)
Segment assets and liabilities							
Segment assets	$ 265,170,503	$ 84,923,005	$ 311,534,863	$ 6,499,704	$ 5,058,538	$ 64,948,738	$ 738,135,351
Interests in associates	–	31,751,849	13,277,820	–	667,216	–	45,696,885
Interests in jointly controlled entities	–	57,207,137	–	–	–	–	57,207,137
Amounts due from jointly controlled entities	–	101,200,968	–	–	–	–	101,200,968
							$ 942,240,341
Eliminations							(28,510,608)
Total assets							$ 913,729,733
Segment liabilities	$ 98,000	$ 30,000	$ 168,024,595	$ 14,534,749	$ 5,861,804	$ 15,429,897	$ 203,979,045
Unallocated liabilities							39,116,819
							$ 243,095,864
Eliminations							(28,510,608)
Total liabilities							$ 214,585,256
Other segmental information							
Depreciation of tangible assets for the year	$ –	$ –	$ 1,027,324	$ 88,316	$ 9,868	$ 2,002,548	$ 3,128,056
Capital expenditure during the year	$ –	$ –	$ 889,345	$ –	$ –	$ 1,041,209	$ 1,930,554
Charge for impairment losses	$ –	$ –	$ 2,942	$ 50,000	$ –	$ 2,443	$ 55,385

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

6 Segment reporting (Continued)

(b) BY GEOGRAPHICAL SEGMENTS

The following table provides an analysis of the Group's turnover by geographical markets, assets and capital expenditure by geographical locations:

			Group			
	Turnover		Assets		Capital expenditure	
	2009	2008	**2009**	2008	**2009**	2008
Hong Kong	**$ 65,930,846**	$ 2,547,297	**$ 557,143,148**	$ 665,869,178	**$ 1,137,232**	$ 1,610,194
The People's Republic of China (the "PRC")	**1,753,596**	6,241,401	**25,159,004**	27,829,501	**331,635**	320,360
Japan	**(591,298)**	4,166,533	**–**	36,241,298	**–**	–
Canada/Australia	**690**	18,579,685	**–**	–	**–**	–
Other	**724,376**	718,837	**956,774**	8,195,374	**–**	–
	$ 67,818,210	$ 32,253,753	**$ 583,258,926**	$ 738,135,351	**$ 1,468,867**	$ 1,930,554

7 Income tax in the consolidated income statement

(a) TAXATION IN THE CONSOLIDATED INCOME STATEMENT REPRESENTS:

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year. No tax is payable on the profit for the year arising in Hong Kong since the estimated assessable profit is wholly absorbed by tax losses brought forward.

	2009	2008
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**$ –**	$ 8,406,942
Over provision in prior years (net)	**(18,989,586)**	(5,006,865)
	$ (18,989,586)	$ 3,400,077
Deferred tax		
Tax for the year	**$ (62,937)**	$ (61,307)
Change of tax rate	**–**	(29,483)
	$ (62,937)	$ (90,790)
	$ (19,052,523)	$ 3,309,287

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

7 Income tax in the consolidated income statement (Continued)

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

	2009	2008
Loss before tax	$ (73,198,179)	$ (94,401,548)
Less: Share of losses of associates	14,184,480	4,516,965
Share of losses/(profits) of jointly controlled entities	18,069,571	(40,958,315)
	$ (40,944,128)	$ (130,842,898)
Tax at the domestic income tax rate of 16.5% (2008:16.5%)	$ (6,755,781)	$ (21,589,078)
Effect of different tax rates of subsidiaries operating in other jurisdictions	748,081	(2,870,683)
Tax effect of non-deductible expenses	174,616	215,925
Tax effect of non-taxable revenue	(945,671)	(3,454,809)
Tax effect of utilisation of tax losses not previously recognised	(10,889)	(1,501,171)
Tax effect of tax losses not recognised	6,579,264	35,767,580
Effect on opening deferred tax liabilities resulting from change in tax rate	–	(29,483)
Over provision in prior years (net)	(18,989,586)	(5,006,865)
Others	147,443	1,777,871
Actual tax (credit)/expense	$ (19,052,523)	$ 3,309,287

8 Directors' and management's emoluments

(a) DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2009				
	Fees	Salaries, commissions and other allowances	Bonuses *(Note)*	Retirement scheme contributions	Total
Jonathan Koon Shum Choi	$ 1,200,000	$ –	$ –	$ –	$ 1,200,000
Mary Yuk Sin Lam	–	2,778,313	–	12,000	2,790,313
William Wai Leung Wu	–	3,121,970	–	12,000	3,133,970
Michael Koon Ming Choi	–	540,000	–	72,000	612,000
Rebecca Yuk Fung Lau	200,000	–	–	–	200,000
Lee G. Lam	200,000	–	–	–	200,000
Michael Wai Chung Wu	200,000	–	–	–	200,000
Robert Tsai To Sze	200,000	–	–	–	200,000
Stanley Kam Chuen Ko	200,000	–	–	–	200,000
	$ 2,200,000	$ 6,440,283	$ –	$ 96,000	$ 8,736,283

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

8 Directors' and management's emoluments (Continued)

(a) DIRECTORS' EMOLUMENTS (Continued)

	2008				
	Fees	Salaries, commissions and other allowances	Bonuses *(Note)*	Retirement scheme contributions	Total
Jonathan Koon Shum Choi	$ 1,200,000	$ –	$ –	$ –	$ 1,200,000
Mary Yuk Sin Lam	–	4,406,837	200,000	12,000	4,618,837
William Wai Leung Wu	–	3,180,000	1,346,152	12,000	4,538,152
Michael Koon Ming Choi	–	540,000	268,688	72,000	880,688
Rebecca Yuk Fung Lau	200,000	–	–	–	200,000
Lee G. Lam	200,000	–	–	–	200,000
Michael Wai Chung Wu	200,000	–	–	–	200,000
Robert Tsai To Sze	200,000	–	–	–	200,000
Stanley Kam Chuen Ko	200,000	–	–	–	200,000
	$ 2,200,000	$ 8,126,837	$ 1,814,840	$ 96,000	$ 12,237,677

Note: The discretionary bonus is determined by reference to the Group and the individual performance during the year.

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

(b) MANAGEMENT'S EMOLUMENTS (EXCLUDING COMMISSIONS)

The five individuals whose emoluments (excluding commissions) were the highest in the Group for the year include 1 (2008: 1) director whose emoluments (excluding commissions) received in his capacity as director of the Company are reflected in the analysis presented above. The emoluments (excluding commissions) payable to the remaining 4 (2008: 4) individuals during the year are as follows:

	2009	2008
Salaries, other allowances and benefits in kind	**$ 5,726,330**	$ 5,256,000
Bonuses	**5,644,365**	16,433,000
Retirement scheme contributions	**48,000**	48,000
	$ 11,418,695	$ 21,737,000

The emoluments are within the following bands:

	2009 Number of individuals	2008 Number of individuals
$1,500,001 – $2,000,000	**1**	–
$2,000,001 – $2,500,000	**2**	–
$2,500,001 – $3,000,000	**–**	1
$3,000,001 – $3,500,000	**–**	1
$4,500,001 – $5,000,000	**1**	–
$6,500,001 – $7,000,000	**–**	1
$8,000,001 – $8,500,000	**–**	1

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

9 Loss attributable to equity shareholders of the Company

The consolidated loss attributable to equity shareholders includes a loss of $12,490,951 (2008: profit of $ 47,511,436) which has been dealt with in the financial statements of the Company.

10 Dividends

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

	2009	2008
Interim dividend paid of 0.33 cent per share (2008: 0.35 cent per share)	**$ 10,719,139**	$ 11,368,784
Final dividend proposed after the balance sheet date of 0.7 cent per share (2008: 0.7 cent per share)	**22,737,567**	22,737,567
	$ 33,456,706	$ 34,106,351

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) DIVIDENDS PAYABLE TO EQUITY SHAREHOLDERS OF THE COMPANY ATTRIBUTABLE TO THE PREVIOUS FINANCIAL YEAR, APPROVED AND PAID DURING THE YEAR

	2009	2008
Final dividend in respect of the previous financial year, approved and paid during the year, of 0.7 cent per share (2008: 0.7 cent per share)	**$ 22,737,567**	$ 22,737,567

11 Loss per share

(a) BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss for the year attributable to shareholders of the Company of $61,239,560 (2008: $107,511,696) and on 3,248,223,906 (2008: 3,248,223,906) ordinary shares in issue during the year.

(b) DILUTED LOSS PER SHARE

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

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

12 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 2007	$ 15,754,180	$ 6,575,570	$ 1,930,796	$ 15,856,361	$ 2,204,110	$ 42,321,017
Exchange adjustments	–	156,054	2,569	35,912	90,258	284,793
Additions	320,360	441,890	268,882	899,422	–	1,930,554
Disposals	–	(2,663,199)	(1,314,440)	(4,995,327)	–	(8,972,966)
Elimination on revaluation	(348,384)	–	–	–	–	(348,384)
Surplus on revaluation	6,000,094	–	–	–	–	6,000,094
At 30 June 2008 and 1 July 2008	$ 21,726,250	$ 4,510,315	$ 887,807	$ 11,796,368	$ 2,294,368	$ 41,215,108
Exchange adjustments	–	(4,006)	(66)	(1,012)	(2,316)	(7,400)
Additions	308,071	34,700	–	1,126,096	–	1,468,867
Disposals	–	–	–	(11,700)	–	(11,700)
Elimination on revaluation	(478,125)	–	–	–	–	(478,125)
Deficit on revaluation	(1,528,963)	–	–	–	–	(1,528,963)
At 30 June 2009	$ 20,027,233	$ 4,541,009	$ 887,741	$ 12,909,752	$ 2,292,052	$ 40,657,787
Accumulated depreciation and impairment						
At 1 July 2007	$ –	$ 5,585,043	$ 1,776,880	$ 9,685,193	$ 1,256,236	$ 18,303,352
Exchange adjustments	–	156,054	746	24,595	54,155	235,550
Charge for the year	348,384	371,279	63,108	1,913,998	431,287	3,128,056
Elimination on revaluation	(348,384)	–	–	–	–	(348,384)
Disposals	–	(2,663,199)	(1,314,440)	(4,995,327)	–	(8,972,966)
At 30 June 2008 and 1 July 2008	$ –	$ 3,449,177	$ 526,294	$ 6,628,459	$ 1,741,678	$ 12,345,608
Exchange adjustments	–	(4,006)	(27)	(699)	(1,718)	(6,450)
Charge for the year	478,125	398,976	88,821	1,974,334	391,651	3,331,907
Elimination on revaluation	(478,125)	–	–	–	–	(478,125)
Disposals	–	–	–	(6,825)	–	(6,825)
At 30 June 2009	$ –	$ 3,844,147	$ 615,088	$ 8,595,269	$ 2,131,611	$ 15,186,115
Carrying values:						
At 30 June 2009	$ 20,027,233	$ 696,862	$ 272,653	$ 4,314,483	$ 160,441	$ 25,471,672
At 30 June 2008	$ 21,726,250	$ 1,061,138	$ 361,513	$ 5,167,909	$ 552,690	$ 28,869,500
Representing:						
Cost	$ –	$ 4,541,009	$ 887,741	$ 12,909,752	$ 2,292,052	$ 20,630,554
Valuation	20,027,233	–	–	–	–	20,027,233
At 30 June 2009	$ 20,027,233	$ 4,541,009	$ 887,741	$ 12,909,752	$ 2,292,052	$ 40,657,787
Representing:						
Cost	$ –	$ 4,510,315	$ 887,807	$ 11,796,368	$ 2,294,368	$ 19,488,858
Valuation	21,726,250	–	–	–	–	21,726,250
At 30 June 2008	$ 21,726,250	$ 4,510,315	$ 887,807	$ 11,796,368	$ 2,294,368	$ 41,215,108

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

12 Properties and equipment (Continued)

The Group's interest in land and buildings held for own use represents two buildings and a carparking space located in the PRC which are held on a medium lease of less than 50 years. The land and buildings were revalued at 30 June 2009 by RHL Appraisal Limited, an independent firm of chartered surveyors employed by the Group, on the basis of open market value. The revaluation deficit of $1,528,963 (2008: surplus of $6,000,094) was charged to the revaluation reserve (note 28). 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 $11,626,225 (2008: $11,577,004).

At the balance sheet date, the net book value of office equipment held under finance leases of the Group was $1,067,671 (2008: $1,580,153). At the end of the lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

The Group has pledged land and buildings held for own use with carrying value of $19,743,561 (2008: $21,726,250) to secure the bank loans amounting to $4,769,697 (2008: $5,468,462).

13 Intangible assets

	Group			
	Membership of Chinese Gold & Silver Exchange Society	**Club memberships**	**Exchange trading rights**	**Total**
Cost				
At 1 July 2007	$ 280,000	$ 590,000	$ 1,966,435	$ 2,836,435
Release on disposal of a subsidiary	–	–	(411,765)	(411,765)
At 30 June 2008, 1 July 2008 and 30 June 2009	$ 280,000	$ 590,000	$ 1,554,670	$ 2,424,670
Accumulated amortisation and impairment				
At 1 July 2007	$ –	$ 70,000	$ 35,294	$ 105,294
Release on disposal of a subsidiary	–	–	(11,765)	(11,765)
At 30 June 2008, 1 July 2008 and 30 June 2009	$ –	$ 70,000	$ 23,529	$ 93,529
Carrying amount				
At 30 June 2009	$ 280,000	$ 520,000	$ 1,531,141	$ 2,331,141
At 30 June 2008	$ 280,000	$ 520,000	$ 1,531,141	$ 2,331,141

14 Interest in subsidiaries

	Company	
	2009	2008
Unlisted shares, at cost	**$ 271,222,358**	$ 271,222,358
Less: Impairment loss	**(9,000,000)**	–
	$ 262,222,358	$ 271,222,358

Particulars of the significant subsidiaries of the Group are set out in note 32.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

15 Interests in associates

	Group	
	2009	2008
Carrying amount of unlisted associates	**$ 31,513,175**	$ 45,696,885

Note: During the year ended 30 June 2008, Sinochem Kingsway Capital Inc., an associate of the Group, entered into an agreement with a third party and committed to invest in a bond instrument of US$3 million. The transaction was completed in September 2008.

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	
					2009	2008
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 Asset Management Limited	Incorporated	Cayman Islands/ Hong Kong	Asset management	70,000 ordinary shares of US$1 each	**50%**	50%
Sinochem Kingsway Capital Inc.	Incorporated	Cayman Islands	Investment holding	100,000 ordinary shares of $0.1 each	**30%**	30%
Modern Harvest Limited	Incorporated	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**30%**	30%

Summary financial information on associates:

	Assets	Liabilities	Equity	Revenue	Loss
2009					
100 per cent	**$ 235,411,342**	**$ 130,867,072**	**$ 104,544,270**	**$ (28,193,881)**	**$ (46,891,626)**
Group's effective interest	**$ 70,794,652**	**$ 39,281,477**	**$ 31,513,175**	**$ (7,766,457)**	**$ (14,184,480)**
2008					
100 per cent	$ 279,936,658	$ 128,503,328	$ 151,433,330	$ 21,946,288	$ (12,978,111)
Group's effective interest	$ 84,338,502	$ 38,641,617	$ 45,696,885	$ 7,241,635	$ (4,516,965)

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

16 Interests in jointly controlled entities

	Group	
	2009	2008
Carrying amount of unlisted jointly controlled entities	**$ 39,137,566**	$ 57,207,137

Details of the Group's interest in the significant jointly controlled entities are as follows:

Name	Form of business structure	Place of incorporation/ operations	Principal activities	Particulars of issued shares	Interest indirectly held 2009	Interest indirectly held 2008
Total Express Investments Limited	Incorporated	British Virgin Islands	Investment holding	2,000 ordinary shares of US$1 each	**50%**	50%
Overseas Billion Limited	Incorporated	Hong Kong	Property investment	100,000 ordinary shares of $1 each	**50%**	50%
Well Talent Limited	Incorporated	Hong Kong	Property investment	100,000 ordinary shares of $1 each	**50%**	50%
Luxury Development Limited	Incorporated	Hong Kong	Property investment	100,000 ordinary shares of $1 each	**50%**	50%

Summary financial information on jointly controlled entities – Group's effective interest which are accounted for using the equity method:

	2009	2008
Non-current assets	**$ 198,524,098**	$ 216,001,469
Current assets	**6,323,251**	6,794,507
Non-current liabilities	**(4,808,377)**	(151,580,811)
Current liabilities	**(160,901,406)**	(14,008,028)
Net assets	**$ 39,137,566**	$ 57,207,137
Income	**$ 7,131,854**	$ 57,270,998
Expenses	**(25,201,425)**	(16,312,683)
(Loss)/profit for the year	**$ (18,069,571)**	$ 40,958,315

The amounts due from jointly controlled entities of $27,310,000 (2008: $27,310,000) are unsecured, interest bearing and are repayable on 31 December 2009. The remaining amounts are unsecured, non-interest bearing and repayable on demand. The Group assesses at year-end whether there is objective evidence that the amounts due from jointly controlled entities are impaired.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

17 Other financial assets

	Group	
	2009	2008
Unlisted held-to-maturity convertible bonds	**$ –**	$ 40,070,000
Statutory deposits	**5,107,905**	5,290,763
Others	**3,701,176**	3,627,622
	$ 8,809,081	$ 48,988,385
Less: Impairment loss	**–**	(40,070,000)
	$ 8,809,081	$ 8,918,385

Full impairment loss provision against the cost of the unlisted convertible bonds was made in prior years as the shares of the listed issuer was suspended from trading and is in the process of a creditors' winding-up. The bonds matured and were reclassified as other receivables during the year.

18 Financial assets at fair value through profit or loss

	Group	
	2009	2008
Listed equity securities, at fair value		
– in Hong Kong	**$ 221,376,908**	$ 282,228,268
– outside Hong Kong	**324**	1,357
	$ 221,377,232	$ 282,229,625
Unlisted investments, at fair value		
– debt securities (Note)	**$ –**	$ 36,241,298
– derivative instruments	**1,283,040**	7,547
	$ 1,283,040	$ 36,248,845
	$ 222,660,272	$ 318,478,470
The carrying amounts of the above financial assets are classified as follows:		
Held for trading	**$ 222,660,272**	$ 282,229,625
Designated as fair value through profit or loss on initial recognition	**–**	36,248,845
	$ 222,660,272	$ 318,478,470

Note: The debt securities represented convertible bonds with a maturity over 1 year but less than 5 years. The bonds were early redeemed at face value during the year.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

19 Accounts, loans and other receivables

		Group		Company	
	Notes	**2009**	2008	**2009**	2008
Accounts and loans receivables					
Amounts due from brokers and clearing houses	*(a)*	**$ 59,850,685**	$ 88,429,393	**$ –**	$ –
Amounts due from margin clients	*(b)*	**12,353,379**	47,611,797	**–**	–
Amounts due from cash clients	*(c)*	**113,407,160**	46,690,147	**–**	–
Loans receivable	*(d)*	**1,214,505**	1,214,505	**–**	–
Others	*(e)*	**6,500,235**	1,838,041	**–**	–
		$ 193,325,964	$ 185,783,883	**$ –**	$ –
Less: Impairment losses		**(9,847,934)**	(4,826,872)	**–**	–
		$ 183,478,030	$ 180,957,011	**$ –**	$ –
Prepayments, deposits and other receivables	*(f)*	**2,708,453**	1,661,344	**180,050**	182,100
		$ 186,186,483	$ 182,618,355	**$ 180,050**	$ 182,100

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 30 June 2009, the Group held $6,092,154 (2008: $5,779) with SEOCH and $5,713,746 (2008: $13,709,246) with HKFECC in trust for clients which were not dealt with in these consolidated 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 30 June 2009, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately $90 million (2008: $240 million). The amounts due from margin clients are repayable on demand and bear interest at commercial rates.

(c) There are no credit facilities granted to cash clients of the brokerage division except for re-financing of IPO subscriptions. They are required to settle their securities trading balances on the settlement day determined under the relevant market practices or exchange rules.

(d) The credit terms for loans granted by the Group's brokerage division are set by management with reference to the financial background and the value and nature of collaterals pledged by the borrower. Full impairment loss provision against the loans receivable was made in prior years.

(e) The balance included an amount of $80,000 (2008: $203,010) receivable from an associate arising from normal business transactions.

(f) The balance included an amount of $40,070,000 receivable arising from an unlisted convertible bonds matured during the year. Full impairment loss provision against the receivable was made in prior years.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

19 Accounts, loans and other receivables (Continued)

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

	Group		Company	
	2009	2008	**2009**	2008
Current	**$ 182,217,650**	$ 180,524,901	**$ –**	$ –
Within one month past due	**641,354**	322,051	**–**	–
More than one month and within three months past due	**580,646**	–	**–**	–
More than three months past due	**38,380**	110,059	**–**	–
	$ 183,478,030	$ 180,957,011	**$ –**	$ –

The movements in the allowance for impairment were as follows:

	Amounts due from margin clients	Loans receivable	Accounts receivables	Total
At 1 July 2007	$ 3,575,160	$ 4,512,379	$ 747,669	$ 8,835,208
Amounts written off	(1,235)	(3,297,874)	(764,612)	(4,063,721)
Amounts charged to consolidated income statement	2,942	–	52,443	55,385
At 30 June 2008 and 1 July 2008	$ 3,576,867	$ 1,214,505	$ 35,500	$ 4,826,872
Amounts charged to consolidated income statement	1,708	–	5,019,354	5,021,062
At 30 June 2009	$ 3,578,575	$ 1,214,505	$ 5,054,854	$ 9,847,934

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.

20 Amounts due from subsidiaries and related companies

The amounts due from subsidiaries and related companies are unsecured, interest-free and repayable on demand. The Company assesses at year-end whether there is objective evidence that the amounts due from subsidiaries and related companies are impaired.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

21 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 2009, segregated clients' accounts not otherwise dealt with in these consolidated financial statements amounted to $659,059,698 (2008: $298,525,264).

22 Accruals, accounts and other payables

	Group		Company	
	2009	2008	**2009**	2008
Accounts payable (current and within one month)				
Amounts due to brokers and clearing houses	**$ 17,979,152**	$ 5,850,456	**$ –**	$ –
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	**78,940,221**	119,891,497	**–**	–
Others	**5,801,352**	3,787,094	**–**	–
	$ 102,720,725	$ 129,529,047	**$ –**	$ –
Other creditors and accruals	**14,022,079**	38,723,071	**596,765**	1,172,158
	$ 116,742,804	$ 168,252,118	**$ 596,765**	$ 1,172,158

23 Bank loans

	Group	
	2009	2008
Secured bank loans	**$ 4,769,697**	$ 5,468,462
Unsecured bank loan	**50,000,000**	–
	$ 54,769,697	$ 5,468,462

The bank loans are repayable as follows:

	Group	
	2009	2008
Within one year or on demand	**$ 50,737,516**	$ 680,769
More than one year, but not exceeding two years	**759,074**	711,561
More than two years, but not exceeding five years	**2,416,539**	2,332,003
After five years	**856,568**	1,744,129
	$ 54,769,697	$ 5,468,462
Less: Amount due after one year shown under non-current liabilities	**(4,032,181)**	(4,787,693)
	$ 50,737,516	$ 680,769

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

23 Bank loans (Continued)

Some of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's balance sheet 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 34. As at 30 June 2009, none of the covenants relating to drawn down facilities had been breached.

24 Obligations under finance leases

At 30 June 2009 and 2008, the Group had obligations under finance leases repayable as follows:

	30 June 2009	
	Present value of the minimum lease payments	Total minimum lease payments
Within one year	**$ 561,659**	**$ 675,600**
After one year but within two years	**$ 629,492**	**$ 675,600**
After two years but within five years	**55,569**	**56,300**
	$ 685,061	**$ 731,900**
	$ 1,246,720	**$ 1,407,500**
Less: Total future interest expenses		**(160,780)**
Present value of lease obligations		**$ 1,246,720**

	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

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

25 Deferred taxation

(a) DEFERRED TAX LIABILITIES RECOGNISED

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

		Accelerated depreciation
At 1 July 2007	$	515,955
Credited to consolidated income statement		(61,307)
Effect of change in tax rate		(29,483)
At 30 June 2008 and 1 July 2008	$	425,165
Credited to consolidated income statement		(62,937)
At 30 June 2009	$	362,228

(b) DEFERRED TAX ASSETS NOT RECOGNISED

In accordance with the accounting policy set out in note 2(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $389 million (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.

26 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 1 July 2007 and 2008, 30 June 2008 and 2009	3,248,223,906	$	324,822,391

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.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

26 Share capital (Continued)

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 2009 and 2008, 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 34). These subsidiaries complied with those requirements at all times during both the current and prior financial years.

The Group monitors capital using a target gearing ratio of 0-25%, which is total borrowings divided by the shareholders' equity. Total borrowings comprise of bank borrowings and obligations under finance leases. Shareholders' equity comprises all components of equity attributable to the equity shareholders of the Company. The gearing ratio at year-end was as follows:

	2009	2008
Total bank borrowings	**$ 54,769,697**	$ 5,468,462
Total obligations under finance leases	**1,246,720**	1,747,857
Total borrowings	**$ 56,016,417**	$ 7,216,319
Shareholders' equity	**$ 575,177,776**	$ 671,353,850
Gearing ratio	**10%**	1%

The Group borrowed a short-term loan of $50,000,000 for re-financing customers' IPO subscriptions at 30 June 2009. This short-term bank loan was repaid shortly after year end.

27 Equity settled share-based transactions

The Company has a share option scheme which was adopted on 23 August 2000 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. For options granted before 1 September 2001, the exercise price of options was determined by the Board and was not less than 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer. For options granted on or after 1 September 2001, the exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of grant and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant. Details of the share option scheme are disclosed under the section "Share Options" in the report of the directors.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

27 Equity settled share-based transactions (Continued)

(i) MOVEMENTS IN SHARE OPTIONS

	2009 Number	2009 Weighted average exercise price $	2008 Number	2008 Weighted average exercise price $
At 1 July of previous year	–	–	8,000,000	0.43
Lapsed	–	–	(8,000,000)	0.43
At 30 June	–	–	–	–

(ii) TERMS OF UNEXPIRED AND UNEXERCISED SHARE OPTIONS AT BALANCE SHEET DATE

Date of share options granted	Range of exercise periods	Exercise price per share $	At 1 July 2007	Lapsed during the year	At 30 June 2008
Directors:					
11 March 2004	24 September 2004 to 23 March 2008	0.43	7,000,000	(7,000,000)	–
Employees:					
11 March 2004	24 September 2004 to 7 April 2008	0.43	1,000,000	(1,000,000)	–
Total			8,000,000	(8,000,000)	–

There were no options granted, exercised or cancelled in accordance with the terms of the Scheme during the year. The exercise period for share options granted on a particular date varies for each individual. The range of exercise periods disclosed above indicates the timeframe during which the exercise periods for share options granted on a particular date can fall.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

28 Reserves

THE GROUP

	Attributable to equity shareholders of the Company								
	Share premium (Note (a))	Special reserve (Note (b))	Capital reserve on consolidation (Note (c))	Exchange reserve (Note (e))	Revaluation reserve (Note (f))	Retained profits (Note (g))	Total	Minority interests	Total
At 1 July 2008	$31,811,160	$39,800,000	$63,391,540	$(2,283,739)	$9,990,452	$203,822,046	$346,531,459	$27,790,627	$374,322,086
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	48,385	–	–	48,385	–	48,385
Share of reserve of associates	–	–	–	770	–	–	770	–	770
Deficit on revaluation	–	–	–	–	(1,528,963)	–	(1,528,963)	–	(1,528,963)
Return of capital to minority interests	–	–	–	–	–	–	–	(20,099,220)	(20,099,220)
Dividends paid to minority interests	–	–	–	–	–	–	–	(14,605,002)	(14,605,002)
(Loss)/profit attributable to equity shareholders	–	–	–	–	–	(61,239,560)	(61,239,560)	7,093,904	(54,145,656)
Dividends paid									
– 2008, final	–	–	–	–	–	(22,737,567)	(22,737,567)	–	(22,737,567)
– 2009, interim	–	–	–	–	–	(10,719,139)	(10,719,139)	–	(10,719,139)
At 30 June 2009	$31,811,160	$39,800,000	$63,391,540	$(2,234,584)	$8,461,489	$109,125,780	$250,355,385	$180,309	$250,535,694
Attributable to:									
– the Company and its subsidiaries	$31,811,160	$39,800,000	$63,391,540	$(2,208,010)	$8,461,489	$91,135,718	$232,391,897	$ –	$232,391,897
– associates	–	–	–	(26,574)	–	(4,959,114)	(4,985,688)	–	(4,985,688)
– jointly controlled entities	–	–	–	–	–	22,949,176	22,949,176	–	22,949,176
At 30 June 2009	$31,811,160	$39,800,000	$63,391,540	$(2,234,584)	$8,461,489	$109,125,780	$250,355,385	$ –	$250,355,385

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

28 Reserves (Continued)

THE GROUP

	Attributable to equity shareholders of the Company									
	Share premium (Note (a))	Special reserve (Note (b))	Capital reserve on consolidation (Note (c))	Equity compensation reserve (Note (d))	Exchange reserve (Note (e))	Revaluation reserve (Note (f))	Retained profits (Note (g))	Total	Minority interests	Total
At 1 July 2007	$31,811,160	$39,800,000	$63,391,540	$11,600	$(764,205)	$3,990,358	$345,428,493	$483,668,946	$83,489,766	$567,158,712
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	(1,492,851)	–	–	(1,492,851)	–	(1,492,851)
Share of reserve of associates	–	–	–	–	(26,683)	–	–	(26,683)	–	(26,683)
Surplus on revaluation	–	–	–	–	–	6,000,094	–	6,000,094	–	6,000,094
Return of capital to minority interests	–	–	–	–	–	–	–	–	(15,000,000)	(15,000,000)
Dividends paid to minority interests	–	–	–	–	–	–	–	–	(50,500,000)	(50,500,000)
Transfer between reserves	–	–	–	(11,600)	–	–	11,600	–	–	–
(Loss)/profit attributable to equity shareholders	–	–	–	–	–	–	(107,511,696)	(107,511,696)	9,800,861	(97,710,835)
Dividends paid										
– 2007, final	–	–	–	–	–	–	(22,737,567)	(22,737,567)	–	(22,737,567)
– 2008, interim	–	–	–	–	–	–	(11,368,784)	(11,368,784)	–	(11,368,784)
At 30 June 2008	$31,811,160	$39,800,000	$63,391,540	$ –	$(2,283,739)	$9,990,452	$203,822,046	$346,531,459	$27,790,627	$374,322,086
Attributable to:										
– the Company and its subsidiaries	$31,811,160	$39,800,000	$63,391,540	$ –	$(2,256,395)	$9,990,452	$153,577,933	$296,314,690	$ –	$ 296,314,690
– associates	–	–	–	–	(27,344)	–	9,225,366	9,198,022	–	9,198,022
– jointly controlled entities	–	–	–	–	–	–	41,018,747	41,018,747	–	41,018,747
At 30 June 2008	$31,811,160	$39,800,000	$63,391,540	$ –	$(2,283,739)	$9,990,452	$203,822,046	$346,531,459	$ –	$346,531,459

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

28 Reserves (Continued)

THE COMPANY

	Contributed surplus (Note (h))	Share premium (Note (a))	Equity compensation reserve (Note (d))	Retained profits (Note (g))	Total
At 1 July 2007	$ 199,229,696	$ 31,811,160	$ 11,600	$ 123,160,076	$ 354,212,532
Transfer between reserves	–	–	(11,600)	11,600	–
Profit for the year	–	–	–	47,511,436	47,511,436
Dividends paid					
– 2007, final	–	–	–	(22,737,567)	(22,737,567)
– 2008, interim	–	–	–	(11,368,784)	(11,368,784)
At 30 June 2008	$ 199,229,696	$ 31,811,160	$ –	$ 136,576,761	$ 367,617,617
At 1 July 2008	$ 199,229,696	$ 31,811,160	$ –	$ 136,576,761	$ 367,617,617
Loss for the year	–	–	–	(12,490,951)	(12,490,951)
Dividends paid					
– 2008, final	–	–	–	(22,737,567)	(22,737,567)
– 2009, interim	–	–	–	(10,719,139)	(10,719,139)
At 30 June 2009	$ 199,229,696	$ 31,811,160	$ –	$ 90,629,104	$ 321,669,960

Notes:

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

(b) 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.

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

(d) The equity compensation 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. The equity amount was transferred to retained profits when the outstanding options expired.

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

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

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

28 Reserves (Continued)

Notes: (Continued)

(g) Retained profits represent:

	Group		Company	
	2009	2008	**2009**	2008
2009 proposed final dividend	**$ 22,737,567**	$ –	**$ 22,737,567**	$ –
2008 proposed final dividend	**–**	22,737,567	**–**	22,737,567
Others	**86,388,213**	181,084,479	**67,891,537**	113,839,194
	$ 109,125,780	$ 203,822,046	**$ 90,629,104**	$ 136,576,761

(h) 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 $32,080,184 in prior years.

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.

29 Contingent liabilities

	Company	
	2009	2008
Guarantees for banking facilities to subsidiaries and jointly controlled entities	**$ 293,969,697**	$ 329,168,462
Other guarantees	**13,000,000**	13,000,000
Total	**$ 306,969,697**	$ 342,168,462

30 Commitments

(a) CAPITAL COMMITMENTS

	Group	
	2009	2008
Contracted but not provided for	**$ 915,500**	$ 1,192,124

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

30 Commitments (Continued)

(b) COMMITMENTS UNDER OPERATING LEASES

As lessee

As at 30 June 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2009	2008
Not later than 1 year	**$ 8,984,052**	$ 8,170,880
Later than 1 year and not later than 5 years	**16,278,592**	24,187,500
	$ 25,262,644	$ 32,358,380

Operating leases relate to land and buildings with lease terms between 1 to 3 years. The Group does not have an option to purchase the leased assets at the expiry of the leased period.

(c) OTHER COMMITMENTS

The Group has entered into several underwriting agreements in relation to the IPO of certain companies. As at 30 June 2009, the Group had a gross commitment of approximately $6 million.

31 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 8(a), is as follows:

	2009	2008
Fees	**$ 2,200,000**	$ 2,200,000
Salaries, commissions and other allowance	**9,407,923**	11,006,837
Bonuses	**–**	2,214,840
Retirement scheme contributions	**240,000**	360,000
	$ 11,847,923	$ 15,781,677

Total remuneration is included in "staff costs" (see note 5(b)).

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

31 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	**2009**	2008
Brokerage commission earned on securities, options, futures and commodities dealing	*(a)*	**$ 2,453,578**	$ 5,184,965
Common office expenses recharged	*(b)*	**328,100**	726,370
Consultancy and management fees received	*(c)*	**2,231,507**	5,051,847
Secretarial fee earned	*(d)*	**180,270**	115,220
Interest earned on margin and IPO loans	*(e)*	**–**	18,950
Interest income	*(f)*	**1,502,050**	1,502,050

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, 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.

(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 one 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) Margin loan interest was received from fellow subsidiaries, the Group's directors and their associates in the ordinary course of the Group's margin financing business. 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.

(f) 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.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

32 Particulars of significant subsidiaries

The following is a list of the significant subsidiaries as at 30 June 2009:

Name	Place of incorporation/ operations	Issued and fully paid share capital	Principal activities	% of ordinary shares held by the Company Directly		Indirectly	
				2009	2008	**2009**	2008
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	**–**	–	**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%	**–**	–
Goalfirst Investments Limited	British Virgin Islands	Ordinary share US$1	Securities investment	**–**	–	**–**	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 Insurance Services Limited	Hong Kong	Ordinary share $1	Provision of insurance services	**–**	–	**100%**	100%
Kingsway Lion Spur Technology Limited	British Virgin Islands/ Hong Kong	Ordinary share US$1	Securities investment	**–**	–	**100%**	100%
Kingsway Real Estate Services Limited	Hong Kong	Ordinary share $1	Provision of real estate service	**–**	–	**100%**	100%
Kingsway SBF Investment Management Company Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$3,100	Provision of investment advisory services	**–**	–	**51%**	51%
Kingsway SBF Investment Company Limited	British Virgin Islands	Ordinary shares US$10,000	Securities investment	**–**	–	**–**	51%

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

32 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 2009	Directly 2008	Indirectly 2009	Indirectly 2008
Kingsway SW Asset Management Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$375,000	Provision of investment advisory services	**–**	–	**100%**	100%
Kingsway SW Finance Limited	Hong Kong	Ordinary shares $50,000	Provision of loan services and financing	**–**	–	**100%**	100%
Kingsway SW Futures Limited	Hong Kong	Ordinary shares $8,000,000	Securities investment	**–**	–	**100%**	100%
SW Kingsway Capital Group Limited	British Virgin Islands	Ordinary shares US$38,750,000	Investment holding	**100%**	100%	**–**	–

33 Disposal of subsidiaries

On 22 October 2007, the Group disposed of its entire shareholding interest in KES Limited.

The net assets of KES Limited at the date of disposal were as follows:

	2009	2008
Net assets disposed of:		
Intangible assets	**$ –**	$ 400,000
Other financial assets	**–**	55,000
Cash and cash equivalents	**–**	11,169
	$ –	$ 466,169
Consideration for disposal of subsidiaries	**–**	(466,169)
Gain on disposal	**$ –**	$ –
Satisfied by:		
Cash	**$ –**	$ 466,169
Net cash inflow arising on disposal:		
Cash consideration	**$ –**	$ 466,169
Cash and cash equivalents disposed of	**–**	(11,169)
	$ –	$ 455,000

34 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 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 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.

Investment in debt securities and 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 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 Group as set out in note 29, 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 balance sheet date is disclosed in note 29.

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.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts, loans and receivables are set out in note 19.

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.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

34 Financial instruments (Continued)

(b) LIQUIDITY RISK

The Group manages its liquidity position to ensure the Group maintains a prudent and adequate liquidity ratio, in strict accordance with statutory requirements. This is achieved by the management, comprising the Chief Financial Officer and 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 the statutory requirements such as the Hong Kong Securities and Futures (Financial Resources) Rules applying to various licensed subsidiaries.

The following table details the remaining contractual maturities at the balance sheet date 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					
	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	Over five years	Total
As 30 June 2009						
Accruals, accounts and other payables	$ 116,742,804	$ –	$ –	$ –	$ –	$ 116,742,804
Bank loans	50,081,075	144,889	652,000	3,477,331	873,217	55,228,512
Finance lease obligations	56,300	112,600	506,700	731,900	–	1,407,500
	$ 166,880,179	$ 257,489	$ 1,158,700	$ 4,209,231	$ 873,217	$ 173,378,816
As 30 June 2008						
Accruals, accounts and other payables	$ 168,252,118	$ –	$ –	$ –	$ –	$ 168,252,118
Bank loans	75,602	151,204	680,416	3,628,888	1,826,506	6,362,616
Finance lease obligations	56,300	112,600	506,700	1,407,500	–	2,083,100
	$ 168,384,020	$ 263,804	$ 1,187,116	$ 5,036,388	$ 1,826,506	$ 176,697,834

The Company's policy is to regularly monitor its liquidity requirements including amounts due to subsidiaries, dividend payments to shareholders and payments of accrued expenses to ensure that is maintains sufficient reserves of cash to satisfy its contractual and foreseeable obligations as they fall due.

34 Financial instruments (Continued)

(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.

Assuming a 10% upward/downward movement in the Hang Seng Index with all other variables held constant at the balance sheet date, the Group's loss before tax would have decreased/increased by an estimated $21,507,000 (2008: $24,801,000).

(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 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 balance sheet date 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.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

34 Financial instruments (Continued)

(d) FOREIGN EXCHANGE RISK (Continued)

	USD	JPY	RMB	AUD	Others
At 30 June 2009					
Other financial assets	**$ 390,763**	**$ –**	**$ 253,427**	**$ –**	**$ –**
Financial assets at fair value through profit or loss	**324**	**–**	**–**	**–**	**–**
Accounts, loans and other receivables	**331,179**	**–**	**69,098**	**4,049**	**127,993**
Cash and cash equivalents	**3,910,162**	**482**	**838,940**	**2**	**170,716**
Accruals, accounts and other payables	**(13,938,976)**	**–**	**(699,355)**	**–**	**–**
Bank loans	**(3,658,694)**	**–**	**–**	**–**	**–**
Net exposure arising from recognised assets and liabilities	**$ (12,965,242)**	**$ 482**	**$ 462,110**	**$ 4,051**	**$ 298,709**

	USD	JPY	RMB	AUD	Others
At 30 June 2008					
Other financial assets	$ 390,000	$ –	$ –	$ –	$ –
Financial assets at fair value through profit or loss	1,357	36,241,298	–	–	–
Accounts, loans and other receivables	6,391,584	511,972	157,880	–	46,906
Cash and cash equivalents	7,832,364	75,829	1,339,356	4,520,967	153,417
Accruals, accounts and other payables	(11,102,658)	–	(163,996)	–	–
Bank loans	(4,213,744)	–	–	–	–
Net exposure arising from recognised assets and liabilities	$ (701,097)	$ 36,829,099	$ 1,333,240	$ 4,520,967	$ 200,323

34 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 to which the Group has significant exposure at the balance sheet date is presented in the following table.

	2009		2008	
	Increase/(decrease) in exchange rates	**Effect on loss before tax**	Increase/(decrease) in exchange rates	Effect on loss before tax
Renminbi, RMB	**+5%**	**(23,105)**	+5%	(66,662)
	–5%	**23,105**	–5%	66,662
Japanese Yen, JPY	**+5%**	**(24)**	+5%	(1,841,455)
	–5%	**24**	–5%	1,841,455
Australian Dollar, AUD	**+5%**	**(203)**	+5%	(226,048)
	–5%	**203**	–5%	226,048

The above analysis assumes the change in foreign exchange rates had occurred at the balance sheet 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 next annual balance sheet date. The Hong Kong Dollar and the United States Dollar peg is assumed to stay materially unaffected by any fluctuation in United States Dollar against other currencies.

(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 for re-financing customers' borrowings which the Group has the legal capacity to quickly recall the margin loans or re-price the loans to an appropriate level. Interest rates paid by the Group are managed by the Finance Department with the aim of maximising the spread of interest consistent with liquidity and funding obligations.

Assuming that the Hong Kong market interest rates had been 100 basis points higher/lower and all other variables held constant at the balance sheet date, the Group's loss before tax would have an estimated decrease/increase of $1,374,000 (2008: $1,927,000).

The Company is exposed to interest rate risk only to the extent that it earns banks interest on deposits. Assuming that the Hong Kong market interest rates had been 100 basis points higher/lower and all other variables held constant at the balance sheet date, the Company's loss before tax would have an estimated decrease/increase of $304,000 (2008: the Company's profit before tax would have an estimated increase/decrease of $304,000).

35 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 2009 and 2008.

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 (including 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. For an option-based derivative, the fair value is estimated using the Black-Scholes model.

36 Critical accounting judgements

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 is a review of the more significant accounting policies that are impacted by judgments and for which different amounts may be reported under a different set of conditions or using different assumptions.

(a) FAIR VALUE ON FINANCIAL ASSETS

For financial assets held at fair value through profit or loss, the fair value is principally based on their quoted market prices at the balance sheet date. Judgment is required when determining whether the quoted market price can reflect the fair value of the financial assets. For unquoted derivatives, the fair value is significantly affected by the combination of the valuation methodologies employed, the parameters used and, if required, the underlying sample chosen. The valuation methodologies adopted by the Group is discussed in note 35.

(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.

(c) INCOME TAXES

The Group's tax losses are mainly from a subsidiary engaging in proprietary trading activities. At each balance sheet date and base 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.

For the year ended 30 June 2009 (Expressed in Hong Kong dollars)

37 Parent and ultimate holding company

At 30 June 2009, 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 Kingsway International Holdings Limited, which is incorporated in Bermuda and listed on the Toronto Stock Exchange.

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2009

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2009 and which have not been adopted in these consolidated financial statements.

Of these developments, the following relate to matters that may result in new or amended disclosures in the consolidated 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
HKFRS 2 (Amendment), Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised), Business Combinations	1 July 2009
HKFRS 7 (Amendment), Improving Disclosures about Financial Instruments	1 January 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. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's and Company's results of operations and financial position.

Five Years Financial Summary

(Expressed in Hong Kong dollars)

	2005 '000	2006 '000	2007 '000	2008 '000	**2009 '000**
Results					
Turnover	$ 189,261	$ 152,278	$ 412,077	$ 32,254	**$ 67,818**
(Loss)/profit attributable to equity shareholders	$ 84,574	$ 19,338	$ 207,537	$ (107,512)	**$ (61,240)**
Basic (loss)/earnings per share (cents)	2.6	0.6	6.4	(3.3)	**(1.9)**
Dividends payable to equity shareholders of the Company attributable to the year	$ 32,482	$ 32,482	$ 33,457	$ 34,106	**$ 33,457**
Assets and liabilities					
Total assets	$ 1,261,664	$ 933,242	$ 2,070,524	$ 913,730	**$ 752,414**
Total liabilities	$ (595,156)	$ (246,526)	$(1,178,534)	$ (214,585)	**$ (177,056)**
Net assets attributable to equity shareholders of the Company	$ 630,479	$ 631,586	$ 808,491	$ 671,354	**$ 575,178**

The comparative figures of 2005 have been restated in 2006 to conform to the changes of accounting policies adopted in 2006.

Directory of Licensed Subsidiaries and Affiliates

Licensed Subsidiaries of SW 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

Kingsway SBF Investment Management Company Limited

Licensed Corporation of the Hong Kong 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

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
25th 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

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

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 Fulcrum Group (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

KingswayGroup

SW Kingsway Capital Holdings Limited

滙富金融控股有限公司*

5th Floor, Hutchison House,
10 Harcourt Road, Central, Hong Kong
Tel : (852) 2877 1830   Fax : (852) 2869 8867
Email: pr@kingswaygroup.com

www.kingswaygroup.com