



Kingsway Group

SW Kingsway Capital Holdings Limited

滙富金融控股有限公司\*

Incorporated in Bermuda with limited liability

Stock Code: 00188

商界展關懷

caringcompany<sup>2006-09</sup>

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

# A Bright Future



Interim Report

2009/10

\*For identification purpose only



## CONTENTS

1	Corporate Information
2	Condensed Consolidated Income Statement
3	Condensed Consolidated Statement of Comprehensive Income
4	Condensed Consolidated Statement of Financial Position

5	Condensed Consolidated Statement of Changes in Equity
6	Condensed Consolidated Statement of Cash Flows
7	Notes to Condensed Consolidated Financial Statements
19	Management Discussion and Analysis
28	Independent Review Report

# 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,

1 Connaught Place, Central,

Hong Kong

Clifford Chance

28th Floor, Jardine House,

1 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 HM08, Bermuda

## Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

Room 1712-1716, 17th Floor,

Hopewell Centre, 183 Queen's Road East,

Hong Kong

## Principal Bankers

Standard Chartered Bank (Hong Kong) Limited

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



# Condensed Consolidated Income Statement

For the six months ended 31 December 2009 – unaudited (Expressed in Hong Kong dollars)

	Notes	Six months ended 31 December	
		2009	2008
<b>Turnover</b>			
Net gain/(loss) on disposal of financial assets at fair value through profit or loss and remeasurement to fair value		\$ 44,937,816	\$ (131,292,818)
Commission and fee income		41,442,319	32,013,154
Interest and dividend income		4,103,078	5,428,554
		\$ 90,483,213	\$ (93,851,110)
<b>Other income</b>		515,805	643,181
	3	\$ 90,999,018	\$ (93,207,929)
<b>Operating expenses</b>			
Commission expenses		(9,891,774)	(5,479,689)
General and administrative expenses		(42,562,325)	(50,719,240)
Finance costs		(665,042)	(202,437)
		\$ 37,879,877	\$ (149,609,295)
Impairment loss for the disposal group	11	(2,427,392)	–
Share of profits/(losses) of associates	3	2,907,083	(18,157,172)
Share of losses of jointly controlled entities	3	(1,074,716)	(17,726,428)
		\$ 37,284,852	\$ (185,492,895)
<b>Profit/(loss) before tax</b>	4	\$ 37,284,852	\$ (185,492,895)
Income tax credit	5	121,969	19,536,444
		\$ 37,406,821	\$ (165,956,451)
<b>Profit/(loss) for the period</b>			
<b>Attributable to:</b>			
Owners of the Company		\$ 37,407,450	\$ (171,270,741)
Non-controlling interests		(629)	5,314,290
		\$ 37,406,821	\$ (165,956,451)
<b>Profit/(loss) for the period</b>			
<b>Earnings/(loss) per share</b>			
Basic	7	1.15 cent	(5.27) cent
Diluted		N/A	N/A

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2009 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2009	2008
<b>Profit/(loss) for the period</b>	\$ 37,406,821	\$ (165,956,451)
<b>Other comprehensive income:</b>		
Exchange differences arising on translation of financial statements of overseas subsidiaries	\$ (25,197)	\$ 26,319
Share of exchange differences arising on translation recognised by associates	(340)	447
Surplus/(deficit) on revaluation of land and buildings held for own use	1,407,831	(698,358)
<b>Other comprehensive income/(expenses) for the period (net of tax)</b>	\$ 1,382,294	\$ (671,592)
<b>Total comprehensive income/(expenses) for the period</b>	\$ 38,789,115	\$ (166,628,043)
<b>Total comprehensive income/(expenses) attributable to:</b>		
Owners of the Company	\$ 38,789,744	\$ (171,942,333)
Non-controlling interests	(629)	5,314,290
	\$ 38,789,115	\$ (166,628,043)

# Condensed Consolidated Statement of Financial Position

At 31 December 2009 – unaudited (Expressed in Hong Kong dollars)

	Notes	31 December 2009	30 June 2009
<b>Non-current assets</b>			
Properties and equipment		\$ 25,494,461	\$ 25,471,672
Intangible assets		2,331,141	2,331,141
Interests in associates		34,419,918	31,513,175
Interests in jointly controlled entities		–	39,137,566
Other financial assets		9,473,163	8,809,081
		<b>\$ 71,718,683</b>	<b>\$ 107,262,635</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	8	\$ 315,820,874	\$ 222,660,272
Accounts, loans and other receivables	9	93,826,438	186,186,483
Amounts due from related companies		17,804	17,804
Amounts due from jointly controlled entities		–	102,840,608
Cash and cash equivalents	10	76,367,805	133,446,689
		<b>\$ 486,032,921</b>	<b>\$ 645,151,856</b>
Assets classified as held for sale	11	194,234,620	–
		<b>\$ 680,267,541</b>	<b>\$ 645,151,856</b>
<b>Current liabilities</b>			
Accruals, accounts and other payables	12	\$ 89,845,972	\$ 116,742,804
Bank loans	13	15,747,952	50,737,516
Obligations under finance leases	14	594,609	561,659
Current taxation		1,450,324	3,934,957
		<b>\$ 107,638,857</b>	<b>\$ 171,976,936</b>
Deposits received associated with assets classified as held for sale	11	48,662,745	–
		<b>\$ 156,301,602</b>	<b>\$ 171,976,936</b>
<b>Net current assets</b>		<b>\$ 523,965,939</b>	<b>\$ 473,174,920</b>
<b>Total assets less current liabilities</b>		<b>\$ 595,684,622</b>	<b>\$ 580,437,555</b>
<b>Non-current liabilities</b>			
Non-current bank loans	13	\$ 3,655,446	\$ 4,032,181
Non-current obligations under finance leases	14	379,284	685,061
Deferred tax liabilities		240,259	362,228
		<b>\$ 4,274,989</b>	<b>\$ 5,079,470</b>
<b>NET ASSETS</b>		<b>\$ 591,409,633</b>	<b>\$ 575,358,085</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		\$ 324,822,391	\$ 324,822,391
Reserves		266,407,562	250,355,385
<b>Equity attributable to owners of the Company</b>		<b>\$ 591,229,953</b>	<b>\$ 575,177,776</b>
<b>Non-controlling interests</b>		<b>179,680</b>	<b>180,309</b>
<b>TOTAL EQUITY</b>		<b>\$ 591,409,633</b>	<b>\$ 575,358,085</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2009 – unaudited (Expressed in Hong Kong dollars)

	Attributable to owners of the Company									
	Share Capital	Share Premium	Special reserve	Capital reserve on consolidation	Exchange reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interests	Total
At 1 July 2009	\$ 324,822,391	\$ 31,811,160	\$ 39,800,000	\$ 63,391,540	\$ (2,234,584)	\$ 8,461,489	\$ 109,125,780	\$ 575,177,776	\$ 180,309	\$ 575,358,085
Profit/(loss) for the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,407,450	\$ 37,407,450	\$ (629)	\$ 37,406,821
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	(25,197)	-	-	(25,197)	-	(25,197)
Share of exchange differences arising on translation recognised by associates	-	-	-	-	(340)	-	-	(340)	-	(340)
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	1,407,831	-	1,407,831	-	1,407,831
Total comprehensive income/(expenses) for the period	\$ -	\$ -	\$ -	\$ -	\$ (25,537)	\$ 1,407,831	\$ 37,407,450	\$ 38,789,744	\$ (629)	\$ 38,789,115
2009 final dividend paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (22,737,567)	\$ (22,737,567)	\$ -	\$ (22,737,567)
At 31 December 2009	\$ 324,822,391	\$ 31,811,160	\$ 39,800,000	\$ 63,391,540	\$ (2,260,121)	\$ 9,869,320	\$ 123,795,663	\$ 591,229,953	\$ 179,680	\$ 591,409,633
At 1 July 2008	\$ 324,822,391	\$ 31,811,160	\$ 39,800,000	\$ 63,391,540	\$ (2,283,739)	\$ 9,990,452	\$ 203,822,046	\$ 671,353,850	\$ 27,790,627	\$ 699,144,477
(Loss)/profit for the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (171,270,741)	\$ (171,270,741)	\$ 5,314,290	\$ (165,956,451)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	26,319	-	-	26,319	-	26,319
Share of exchange differences arising on translation recognised by associates	-	-	-	-	447	-	-	447	-	447
Deficit on revaluation of land and buildings held for own use	-	-	-	-	-	(698,358)	-	(698,358)	-	(698,358)
Total comprehensive income/(expenses) for the period	\$ -	\$ -	\$ -	\$ -	\$ 26,766	\$ (698,358)	\$ (171,270,741)	\$ (171,942,333)	\$ 5,314,290	\$ (166,628,043)
Return of capital to non-controlling interests	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (20,099,220)	\$ (20,099,220)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(8,305,002)	(8,305,002)
2008 final dividend paid	-	-	-	-	-	-	(22,737,567)	(22,737,567)	-	(22,737,567)
At 31 December 2008	\$ 324,822,391	\$ 31,811,160	\$ 39,800,000	\$ 63,391,540	\$ (2,256,973)	\$ 9,292,094	\$ 9,813,738	\$ 476,673,950	\$ 4,700,695	\$ 481,374,645

## Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2009 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2009	2008
Net cash generated from operating activities	\$ 1,308,766	\$ 959,774
Net cash used in investing activities	(10,957)	(832,771)
Net cash used in financing activities	(58,376,693)	(51,724,102)
<b>Net decrease in cash and cash equivalents</b>	<b>\$ (57,078,884)</b>	<b>\$ (51,597,099)</b>
<b>Cash and cash equivalents at 1 July 2009/2008</b>	<b>133,446,689</b>	<b>168,391,088</b>
<b>Cash and cash equivalents at 31 December 2009/2008</b>		
Bank balances and cash	\$ 76,367,805	\$ 116,793,989



# Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

## 1 Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting.

## 2 Significant Accounting Policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for land and buildings held for own use and financial assets at fair value through profit or loss that are measured at revalued amounts or fair values, as appropriate.

A number of new or revised Standards, Amendments and Interpretations are effective for the Group’s financial year beginning on 1 July 2009. Except as described below, these developments are not relevant to the Group’s unaudited condensed consolidated financial statements.

### **Hong Kong Financial Reporting Standard (“HKFRS”) 8 Operating Segments**

(effective for annual periods beginning on or after 1 January 2009)

HKFRS 8 expands disclosure in respect of segment reporting but it has had no impact on the designation of the Group’s reportable segments, reported results or financial position of the Group.

### **HKAS 1 (revised 2007) Presentation of Financial Statements**

(effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

Except the new or revised Standards, Amendments and Interpretations effective on 1 July 2009 and HKFRS 5 “Non-current assets held for sale and discontinued operations”, the same accounting policies, presentation and methods of computation have been followed in these unaudited condensed consolidated financial statements as were applied in the preparation of the Group’s financial statements for the year ended 30 June 2009.

The Group has not early adopted any new and revised HKFRS that have been issued but are not yet effective for the current accounting period. The Group is in the process of making an assessment of the impact of these new and revised HKFRS but is not yet in a position to reasonably estimate their impact on the results of operations and financial position of the Group.

# Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

## 3 Segment information

The Group adopted HKFRS 8 Operating Segments with effect from 1 July 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group, such reports being regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The adoption of HKFRS 8 had no material effect on the presentation of segment information nor basis of measurement of segment profit or loss.

For management purpose, the operating segments of the Group are currently organised into investment in securities, structured investment, brokerage, corporate finance and capital markets, asset management and others.

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

	Six months ended 31 December 2009						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Turnover	\$ 30,216,860	\$ 15,979,034	\$ 33,859,100	\$ 9,057,707	\$ 23,410	\$ 1,347,102	\$ 90,483,213
Inter-segment revenue	15	-	416,395	-	-	8,392,302	8,808,712
Other income	-	-	264,722	17,014	-	234,069	515,805
	<b>\$ 30,216,875</b>	<b>\$ 15,979,034</b>	<b>\$ 34,540,217</b>	<b>\$ 9,074,721</b>	<b>\$ 23,410</b>	<b>\$ 9,973,473</b>	<b>\$ 99,807,730</b>
Eliminations							(8,808,712)
Total income							<b>\$ 90,999,018</b>
Segment results	<b>\$ 28,255,576</b>	<b>\$ 15,786,048</b>	<b>\$ (2,915,348)</b>	<b>\$ 579,965</b>	<b>\$ (809,560)</b>	<b>\$ (3,016,804)</b>	<b>\$ 37,879,877</b>
Impairment loss for the disposal group	\$ -	\$ (2,427,392)	\$ -	\$ -	\$ -	\$ -	(2,427,392)
Share of profits/(losses) of associates	-	2,729,723	329,941	-	(152,581)	-	2,907,083
Share of losses of jointly controlled entities	-	(1,074,716)	-	-	-	-	(1,074,716)
Profit before tax							<b>\$ 37,284,852</b>

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

### 3 Segment information (Continued)

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

	<b>31 December 2009</b>	30 June 2009
Investment in securities	\$ 278,977,858	\$ 200,940,614
Structured investment	253,595,358	184,539,759
Brokerage	177,191,388	296,534,629
Corporate finance and capital markets	9,133,148	7,748,744
Asset management	1,111,036	1,447,942
Others	31,977,436	61,202,803
<b>Total segment assets</b>	<b>\$ 751,986,224</b>	<b>\$ 752,414,491</b>

### 4 Profit/(loss) before tax

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

	<b>Six months ended 31 December</b>	
	<b>2009</b>	2008
Net gain/(loss) on disposal of financial assets at fair value through profit or loss and remeasurement to fair value		
– equity securities	\$ 44,917,976	\$ (119,274,602)
– debt securities designated at fair value through profit or loss	–	(591,298)
– derivatives and others	19,840	(11,426,918)
Dividends from listed equity securities	1,187,272	1,624,816
Interest income from		
– bank deposits	134,235	1,781,609
– others	2,781,571	2,022,129
<b>Staff costs</b>	<b>\$ (24,698,960)</b>	<b>\$ (30,049,905)</b>
Operating lease charges – land and buildings	(4,777,368)	(4,300,150)
Depreciation	(1,396,232)	(1,662,956)
Interest on		
– bank loans and overdrafts	(600,001)	(107,988)
– others	(65,041)	(94,449)
Impairment losses for accounts receivable (net)	(500,854)	(2,754,993)
Exchange gain/(loss) (net)	34,414	(417,423)

# Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

## 5 Income tax

	Six months ended 31 December	
	2009	2008
<b>Current tax – Provision for Hong Kong Profits Tax</b>		
– Tax for the period	\$ –	\$ –
– Over-provision in prior periods	–	(19,531,445)
	\$ –	\$ (19,531,445)
<b>Deferred tax</b>		
– Tax for the period	(121,969)	(4,999)
Income tax credit	\$ (121,969)	\$ (19,536,444)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the current and prior periods. No tax is payable on the profit for the period arising in Hong Kong since the estimated assessable profit is wholly absorbed by tax loss brought forward.

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately \$350 million (30 June 2009: \$389 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.

## 6 Dividends

At a meeting held on 17 September 2009, the directors proposed a final dividend of 0.7 cent per share for the year ended 30 June 2009, totalling \$22,737,567 (note 15) based on the number of shares in issue at 6 November 2009. On 23 November 2009, the final dividend was paid to owners of the Company and has been reflected as an appropriation of retained earnings in the current period.

At a meeting held on 10 February 2010, the directors declared an interim dividend of 0.33 cent per share (31 December 2008: 0.33 cent per share) with an aggregate amount of \$10,719,139 (31 December 2008: \$10,719,139) (note 15) based on the number of shares in issue at 10 February 2010. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the unaudited condensed consolidated statement of financial position.

## 7 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's result attributable to the owners of the Company of profit of \$37,407,450 (2008: loss of \$171,270,741) and on 3,248,223,906 (2008: 3,248,223,906) ordinary shares in issue during the period.

No diluted earnings/(loss) per share has been presented for both current and prior periods as there were no potential ordinary shares during both periods.

## 8 Financial assets at fair value through profit or loss

	31 December 2009	30 June 2009
<b>Held for trading investments include:</b>		
Listed equity securities, at fair value		
– in Hong Kong	\$ 315,820,327	\$ 221,376,908
– outside Hong Kong	547	324
	\$ 315,820,874	\$ 221,377,232
Unlisted investments, at fair value		
– derivative instruments	–	1,283,040
	\$ 315,820,874	\$ 222,660,272

## 9 Accounts, loans and other receivables

	<i>Notes</i>	31 December 2009	30 June 2009
<b>Accounts and loans receivables</b>			
Amounts due from brokers and clearing houses	<i>(a)</i>	\$ 16,469,500	\$ 59,850,685
Amounts due from margin clients	<i>(b)</i>	6,832,495	12,353,379
Amounts due from cash clients	<i>(c)</i>	67,672,657	113,407,160
Loans receivable	<i>(d)</i>	–	1,214,505
Others	<i>(e)</i>	9,530,267	6,500,235
		\$ 100,504,919	\$ 193,325,964
Less: Allowance for impairment		(9,134,283)	(9,847,934)
		\$ 91,370,636	\$ 183,478,030
Prepayments, deposits and other receivables	<i>(f)</i>	2,455,802	2,708,453
		\$ 93,826,438	\$ 186,186,483

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

	31 December 2009	30 June 2009
Current	\$ 87,395,223	\$ 182,032,650
Within one month	983,666	185,000
More than one month and within three months	2,047,133	1,141,354
More than three months	944,614	119,026
	\$ 91,370,636	\$ 183,478,030

# Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

## 9 Accounts, loans and other receivables (Continued)

Notes:

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

The Group maintains clients' monies arising from the ordinary course of business of dealing in options and futures contracts in trust with The SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKFECC"). At 31 December 2009, the Group held \$4,235,434 (30 June 2009: \$6,092,154) with SEOCH and \$9,954,236 (30 June 2009: \$5,713,746) with HKFECC in trust for clients which were not dealt with in these unaudited condensed 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 31 December 2009, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately \$41 million (30 June 2009: \$90 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 loans receivable was fully written off during the period. Full allowance for impairment against the loans receivable was made in prior years.
- (e) The balance included an amount of Nil (30 June 2009: \$80,000) receivable from an associate arising from normal business transactions.
- (f) The receivable arising from the unlisted convertible bonds, which matured in last year, with a face value of \$40,070,000 was fully written off during the period. Full allowance for impairment against the receivable was made in prior years.

## 10 Cash and cash equivalents

The Group maintains segregated clients' accounts with licensed banks to hold clients' monies arising from normal business transactions in connection with the Group's brokerage activities. As at 31 December 2009, segregated clients' accounts not otherwise dealt with in the unaudited condensed consolidated statement of financial position amounted to \$355,071,549 (30 June 2009: \$659,059,698).



## 11 Assets classified as held for sale

	<b>31 December 2009</b>	
Investments, at cost	<b>\$</b>	<b>15,888,390</b>
Share of results of jointly controlled entities		<b>22,174,460</b>
Amounts due from jointly controlled entities		<b>158,599,162</b>
Less: Impairment loss		<b>(2,427,392)</b>
	<b>\$</b>	<b>194,234,620</b>

On 26 November 2009, the Group entered into a share purchase agreement to dispose of the Group's interest in jointly controlled entity, Total Express Investments Limited ("Total Express"), at a consideration of approximately \$196 million. The Group received an amount of \$48,662,745 from the purchaser of Total Express as deposits for the disposal at 31 December 2009. The deposits received are presented separately as liabilities associated with assets classified as held for sale. Total Express is the ultimate holding company of Overseas Billion Limited, Well Talent Limited and Luxury Development Limited which jointly held the entire interest in the investment properties in the PRC.

Total Express is classified as the Group's structured investment for segment reporting purposes. In accordance with HKFRS 5, non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. As the disposal transaction is expected to be completed within twelve months, the Group's interest in Total Express has been classified as a disposal group held for sale and is presented separately in the unaudited condensed consolidated statement of financial position. The disposal group was measured at the lower of its carrying amount and fair value less costs to sell and an impairment loss of \$2,427,392 was recognised in the unaudited condensed consolidated income statement.

## 12 Accruals, accounts and other payables

	<b>31 December 2009</b>	30 June 2009
<b>Accounts payable (current and within one month)</b>		
Amounts due to brokers and clearing houses	<b>\$ 7,786,311</b>	\$ 17,979,152
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	<b>69,359,062</b>	78,940,221
Others	<b>1,010,279</b>	5,801,352
	<b>\$ 78,155,652</b>	\$ 102,720,725
Other payables and accruals	<b>11,690,320</b>	14,022,079
	<b>\$ 89,845,972</b>	\$ 116,742,804

# Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

## 13 Bank loans

	31 December 2009	30 June 2009
Secured bank loans	\$ 19,403,398	\$ 4,769,697
Unsecured bank loan	–	50,000,000
	<b>\$ 19,403,398</b>	<b>\$ 54,769,697</b>
The bank loans are repayable as follows:		
Within one year or on demand	\$ 15,747,952	\$ 50,737,516
More than one year but not exceeding two years	770,365	759,074
More than two years but not exceeding five years	2,452,523	2,416,539
After five years	432,558	856,568
	<b>\$ 19,403,398</b>	<b>\$ 54,769,697</b>
Less: Amount due after one year shown under non-current liabilities	<b>(3,655,446)</b>	<b>(4,032,181)</b>
	<b>\$ 15,747,952</b>	<b>\$ 50,737,516</b>

## 14 Obligations under finance leases

At 31 December 2009 and 30 June 2009, the Group had obligations under finance leases repayable as follows:

	31 December 2009	
	Present value of the minimum lease payments	Total minimum lease payments
Within one year	\$ 594,609	\$ 675,600
After one year but within two years	379,284	394,100
	<b>\$ 973,893</b>	<b>\$ 1,069,700</b>
Less: Total future interest expenses		<b>(95,807)</b>
Present value of lease obligations		<b>\$ 973,893</b>
	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
	<b>\$ 685,061</b>	<b>\$ 731,900</b>
	<b>\$ 1,246,720</b>	<b>\$ 1,407,500</b>
Less: Total future interest expenses		<b>(160,780)</b>
Present value of lease obligations		<b>\$ 1,246,720</b>

## 15 Retained earnings

The Company's retained earnings represented:

	<b>31 December 2009</b>	30 June 2009
2010 interim dividend (Note 6)	\$ 10,719,139	\$ –
2009 final dividend (Note 6)	–	22,737,567
Others	<b>70,733,029</b>	67,891,537
	<b>\$ 81,452,168</b>	\$ 90,629,104

## 16 Contingent liabilities

	<b>Company</b>	
	<b>31 December 2009</b>	30 June 2009
Guarantees for banking facilities to subsidiaries and jointly controlled entities	\$ 238,603,398	\$ 293,969,697
Other guarantees	<b>13,000,000</b>	13,000,000
Total	<b>\$ 251,603,398</b>	\$ 306,969,697

## 17 Commitments

### (A) CAPITAL COMMITMENTS

	<b>31 December 2009</b>	30 June 2009
Contracted but not provided for	\$ 1,564,500	\$ 915,500

### (B) COMMITMENTS UNDER OPERATING LEASES

#### AS LESSEE

As at 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>31 December 2009</b>	30 June 2009
Not later than one year	\$ 10,466,425	\$ 8,984,052
Later than one year and not later than five years	<b>15,729,174</b>	16,278,592
Total	<b>\$ 26,195,599</b>	\$ 25,262,644

# Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

## 17 Commitments (Continued)

### (C) OTHER COMMITMENTS

As at 30 June 2009, the Group had a gross commitment of approximately \$6 million for underwriting commitment in relation to the IPO of certain companies.

## 18 Material related party transactions

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

	Notes	Six months ended 31 December	
		2009	2008
Brokerage commission earned on securities, options, futures and commodities dealing	(a)	\$ 2,072,332	\$ 1,139,322
Common office expenses recharged	(b)	121,180	217,170
Consultancy and management fees received	(c)	545,360	1,465,988
Interest income	(d)	758,554	757,198

Notes:

- (a) Brokerage commission was received from fellow subsidiaries, associates, non-controlling interests 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 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) 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.

## 19 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.

### (B) LIQUIDITY RISK

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

# Notes to Condensed Consolidated Financial Statements

(Expressed in Hong Kong dollars)

## 19 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. 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.

### (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. 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.

### (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.



# Management Discussion and Analysis

## The Market

The market was full of mixed signals at the turn of the decade. During the second half calendar year of 2009, the market continued to enjoy the ample liquidity provided by the major central banks. However, Australia was the first major economy to raise interest rates and China began to cool the pace of lending by banks in the hopes of preventing an economic bubble. Market was concerned about the timing and magnitude of the withdrawal of stimulus policies. The market retreated recently under this background.

The Hang Seng Index closed at 21,873 at the end of December 2009, compared with 18,379 at the end of June 2009 and 14,387 at the end of December 2008. The average monthly turnover on the Main Board during the six months ended 31 December 2009 (“the first half year of FY2010”) was approximately HK\$1,401 billion, as compared to HK\$1,172 billion for the second half year of FY2009. Funds raised from IPOs on the Main Board in the first half year of FY2010 amounted to HK\$226 billion, as compared to HK\$18 billion in the second half year of FY2009.

## Financial Highlights

The Group recorded a profit of HK\$37 million for the first half year of FY2010. Net gain on the disposal of financial assets and the remeasurement to fair value was HK\$45 million. Commission and fee income for our financial intermediary business increased from HK\$32 million for the first half year of FY2009 to HK\$41 million for the first half year of FY2010 due to the increase in market activities. General and administrative expenses were HK\$43 million, down from HK\$51 million for the first half year of FY2009. The decrease was mainly due to the drop in staff costs and decrease in specific provision for outstanding client receivables.

## Brokerage

Total revenue of the division was HK\$34.5 million for the first half year of FY2010, compared with HK\$25.5 million for the first half year of FY2009. With the recovery in the fund raising markets and the resultant increase in market activities, commission income and interest income improved in the first half year of FY2010.

The division organised many company road shows to provide the latest information about the business environment and development of our SME clients to different fund managers. The division also organised several seminars to help our clients to understand the structure and investment strategy of new derivative products. Our relationship with clients are strengthened through these activities.

The division is in the process of implementing a new internet trading platform in 2010 to expand the customer base and improve its services delivery standard.

Kingsway was ranked the Best Local Brokerage in Hong Kong by the Asiamoney Brokers Poll in October 2009. Kingsway has enjoyed top three honors for the last five consecutive years.

## Corporate Finance And Capital Markets

The division contributed HK\$9.1 million revenue for the first half year of FY2010, compared with HK\$8.8 million for the first half year of FY2009.

The division participated in several underwriting and placing activities in the period. Apart from focusing on securing more advisory work, the division is also working on a number of projects including IPO sponsorship. When completed, income from corporate finance will be increased in 2010.

The division provided a specific provision of HK\$0.5 million for the outstanding accounts receivable from a corporate finance client due to the uncertainty on collectability of amounts due from this client. A specific provision of HK\$2.6 million was provided for the outstanding accounts receivable in the first half year of FY2009.

## Asset Management

The division had a net loss of HK\$0.8 million for the first half year of FY2010, compared with a net loss of HK\$9.1 million for first half year of FY2009. The loss in last period mainly came from the loss on disposal of an investment received as management fees in prior years.

The division is now looking for suitable investment opportunities to set up new private equity fund.

## Investment In Securities And Structured Investment

These divisions had a turnover of HK\$46.2 million for the first half year of FY2010, compared with a negative turnover of HK\$120.1 million for the first half year of FY2009.

The performance of the investment portfolio improved following the recovery in the stock market, as evidenced by the rise in Hang Seng Index. The Group invested in several energy and natural resources stocks through their fund raising activities to diversify the portfolio.

The Group entered into a share purchase agreement to dispose of its jointly controlled entities, which held the investment properties in the PRC. The sale proceeds from the disposal will be used as working capital and the Group will continue to look for suitable investment opportunity.

## Outlook

Most of the major markets rose substantially in 2009 and it is unlikely that the same percentage rise will repeat in 2010. Investors are now looking at specific industry sectors to look for investment opportunities. Kingsway has significant expertise in research and deals execution for high growth companies. We will position ourselves to help our clients to capitalise on these opportunities.

## Liquidity and Financial Resources

Total assets as at end of December 2009 were HK\$752 million, of which approximately 90% were current in nature. Net current assets were HK\$524 million, accounting for approximately 89% of the net assets of the Group as at end of December 2009.

The Group generally finances its operations from internal resources. Total borrowings of approximately HK\$20.4 million at the end of December 2009 comprised of the following:

- approximately HK\$4.4 million in mortgage loans secured by the Group's office premises in Beijing and Shenzhen;
- approximately HK\$1.0 million in finance lease obligations for office equipment; and
- approximately HK\$15 million in secured short-term loan mainly utilised for financing our investment in securities.

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\$20.9 million and financial assets at fair value through profit or loss with market value of HK\$38.4 million were pledged as security against bank loans granted to the Group. At the period end, the Group's gearing ratio, calculated as a percentage of bank borrowings over shareholders' fund, was approximately 3%.

## Foreign Exchange Exposure

The Group's assets are mainly in Hong Kong and the PRC and most of the monetary assets and liabilities of the Group are denominated in HK\$. As part of our investment monitoring process, financial assets denominated in foreign currencies, including equity and debt investments, are monitored on a daily basis together with the changes in market value of these investments. Hedging instruments may be used as part of the overall investment strategy if deemed necessary by investment managers. The Group purchased properties in the PRC for its own use. 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 fluctuations in exchange rates and no hedging instruments are used.

## Risk Management

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

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

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

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

### **Risk Management Policies and Procedures**

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

### **Employees**

As at 31 December 2009, the number of full time employees of the Group was 131 (30 June 2009: 131). There have been no significant changes in the employment, training or development policies of the Group since the publication of the annual report for the year ended 30 June 2009.

### **Interim Dividend**

The Board of Directors has declared an interim dividend of 0.33 HK cent per ordinary share for the six months ended 31 December 2009 (six months ended 31 December 2008: 0.33 HK cent). The dividend will be payable on or about Wednesday, 31 March 2010 to shareholders whose names appear on the Register of Members at the close of business on Tuesday, 23 March 2010.

## Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 19 March 2010 to Tuesday, 23 March 2010, both days inclusive, during which period no transfers of shares will be registered. To determine entitlement to the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:00p.m. on Thursday, 18 March 2010.

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

As at 31 December 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 scheme operated by the Company, there were no options outstanding as at 31 December 2009 and no options granted, exercised or cancelled in accordance with the terms of the share option scheme during the period.

Pursuant to the share option scheme operated by Kingsway International, there were no outstanding options held by any directors and chief executive of the Company as at 31 December 2009 and no options granted, exercise or cancelled in accordance with the terms of the share option scheme during the period by any directors and chief executive of the Company.

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

Name of director	Type of interest	Principal amount of debentures	Number of underlying shares	Note
Dr Jonathan Koon Shum Choi*	Corporate	C\$ 4,500,000	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 31 December 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 period.

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

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

As at 31 December 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.

Name of shareholder	Country of incorporation	Number of ordinary shares in the Company		% of total issued shares	Note
		Direct interest	Deemed interest		
(1) World Developments Limited	British Virgin Islands	2,411,661,327	–	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 by any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

## Purchase, sale or redemption of shares

During the six months ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

## The Code on Corporate Governance Practices

The Company has applied the principles and has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange for the six months ended 31 December 2009.

## Securities Transactions by Directors

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

## Changes in Directors' Information

There are no changes to the Director's information since the date of the 2009 Annual Report, which would be required to be disclosed pursuant to Chapter 13.51B(1) of the Listing Rules.

## Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the interim report and the unaudited condensed consolidated financial statements for the six months ended 31 December 2009. Terms of reference of the Audit Committee are available on request to shareholders of the Company.

On behalf of the Board

**William, Wai Leung Wu**

*Chief Executive Officer*

Hong Kong, 10 February 2010



TO THE BOARD OF DIRECTORS OF SW KINGSWAY CAPITAL HOLDINGS LIMITED

### Introduction

We have reviewed the interim financial information set out on pages 2 to 18, which comprises the condensed consolidated statement of financial position of SW Kingsway Capital Holdings Limited as of 31 December 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

10 February 2010

# 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  
702B, 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



**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](mailto:pr@kingswaygroup.com)

[www.kingswaygroup.com](http://www.kingswaygroup.com)