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

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

Grow with Solid Foundation

Annual Report 2010

*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		

With 20 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 2010 (the "Period"). After two difficult fiscal years during which the financial markets were seriously affected by the global financial tsunami, Kingsway returned to profitability in the Period.

The strong recovery in most economies during 2009 became stagnate towards the end of the calendar year. The markets turned to range trading reacting to positive and negative news coming out at different times. The European sovereign debt crisis in the early part of 2010 rocked the market but the governments swiftly reacted with stability measures, knowing how fragile the market confidence is following the financial tsunami. Emerging markets are the bright spots. Whilst the developed countries are still working hard to stimulate their economies, many of the developing and resources rich countries are already adopting various tightening measures to keep their growth rate at a long term sustainable level.

The profit attributable to shareholders for the Period was HK$10 million. A net gain of HK$43 million was generated from our investment portfolio. The Group modestly stepped up its investment activities when the markets stabilised. Income from client services division increased by approximately 23% to HK$81 million, reflecting the cautious approach of the investors and the resulting lower volume during the early stage of the recovery. The overheads expenses were kept at the same level. The increases in staff cost and rental cost was offset by the reduction in provision for doubtful accounts. A small loss, mainly reflecting selling related expenses, was incurred after the Group disposed of the Beijing investment properties. Funds generated from the disposal will be used to support the growth in our core businesses.

The market is filled with mixed signals lately. Most experts agree that the economies are at a crossed road. Markets seem to stabilise from the European sovereign debt crisis but the growth momentum in most developed countries are also slowing. Demand for quality services is always present and we will continue to bring innovative solution and efficient execution services to our clients.

Our responsibility to all stakeholders and the community is one of the important core values of the Group. We set out in the Social Responsibility Report and the Corporate Governance Report how we integrate those values with our day to day work. We will keep these important social values in mind when we are working hard to maximise returns for our stakeholders.

Finally, I would like to thank all the staff for their loyal and strong support during the year. I have worked closely with the Board of Directors and I am thankful for their advice and guidance. We have built up a larger client base and better relationship with our clients during the last year and we will work hard to bring them to higher level in the coming year.

Wu Wai Leung William
Chief Executive Officer

THE MARKET

Following the strong re-bound from first calendar quarter of 2009, the Hong Kong market moved sideways towards the end of 2009 and remained range bound in 2010. The market was excited by a few mega transactions like the listing of the Agricultural Bank of China but the general volume of trading was still well below the peak level reached in 2007-2008. The economies are divided into two camps, with the developed countries still fighting hard to stimulate their economies in the aftermath of the global financial tsunami and European sovereign debt crisis and the emerging markets adopting tightening measures to reign in the inflation expectation whilst keeping growth at a long term sustainable level. However, there is one thing in common, uncertainty is the key theme shared by most economies.

The Hang Seng Index closed at 20,129 at the end of June 2010, compared with 18,379 at the end of June 2009 and 21,873 at the end of December 2009. The average monthly turnover on the Main Board during the year ended 30 June 2010 ("FY2010") was approximately HK$1,338 billion, as compared to HK$1,176 billion for FY2009. Funds raised from IPOs on the Main Board in FY2010 amounted to HK$276 billion, as compared to HK$43 billion in FY2009.

FINANCIAL HIGHLIGHTS

The Group recorded a profit of HK$10 million for FY2010. Net gain on the disposal of financial assets and the remeasurement to fair value was HK$43 million. Commission and fee income for our financial intermediary business increased from HK$66 million for FY2009 to HK$81 million for FY2010 due to the increase in market activities. General and administrative expenses were HK$96 million, same as FY2009. The specific provision on the outstanding client receivables decreased from HK$5 million in FY2009 to HK$0.5 million in FY2010. However, the discretionary staff bonus and office rental expenses increased in this year offset the decrease in impairment loss.

BROKERAGE

Total revenue of the division was HK$67.4 million for FY2010, compared with HK$51 million for FY2009. With the recovery in the fund raising markets and the resultant increase in market activities, commission income and margin financing interest income improved in FY2010.

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

During the period, our resources have been enriched by newly joined account executives and dealers. Together with the new internet trading platform implemented in April 2010, it is expected that our client base will be expanded and our services delivery standard will be improved.

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$16.1 million in revenue for FY2010, compared with HK$16.7 million for FY2009.

The division participated in several underwriting and placing activities during the year. 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 FY2011.

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. A specific provision of HK$5 million was provided for the outstanding accounts receivable in FY2009.

ASSET MANAGEMENT

The division had a net loss of HK$1.4 million for FY2010, compared with a net loss of HK$6.6 million for FY2009. The loss in last year 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 funds.

INVESTMENT IN SECURITIES

The division had a turnover of HK$51.7 million for FY2010, compared with HK$0.1 million for 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 division invested in several natural resources and electronics distributor and manufacturer stocks through their fund raising activities to diversify the portfolio.

STRUCTURED INVESTMENT

The division had a negative turnover of HK$5 million for FY2010, compared with a turnover of HK$3 million for FY2009.

The disposal of the jointly controlled entities, which held investment properties in Beijing, was completed in March 2010 and the Group recognised an impairment loss and loss on disposal of HK$2.4 million and HK$1 million respectively. The sale proceeds (less selling expenses) of HK$193.4 million will be used as general working capital.

The division also disposed of all its equity investment in this year to restructure the investment portfolio.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at end of June 2010 were HK$858 million, of which approximately 92% were current in nature. Net current assets were HK$489 million, accounting for approximately 88% of the net assets of the Group as at end of June 2010.

The Group generally finances its operations from internal resources. Total borrowings of approximately HK$4.7 million at the end of June 2010 comprised of the following:

– approximately HK$4 million in mortgage loans secured by the Group's office premises in Beijing and Shenzhen and

– approximately HK$0.7 million in finance lease obligations for office equipment.

These loans were mainly denominated in HK$ or US$ to match the future cash flows of our business operations.

The Group's properties with carrying values of HK$22.3 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' equity, was approximately 1%.

FOREIGN EXCHANGE EXPOSURE

The Group's assets are mainly in Hong Kong and the PRC and most of the monetary assets and liabilities of the Group are denominated in HK$. As part of our investment monitoring, financial assets denominated in foreign currencies, including equity and debt investments, are monitored on a daily basis together with the changes in market value of these investments. Hedging instruments may be used as part of the overall investment strategy if deemed necessary by the investment managers. The Group purchased properties in the PRC for its own use. These assets are financed by internal resources and loans denominated in either HK$ 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 increased from 131 last year to 137 at the end of this financial year mainly due to the expansion of the brokerage team.

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 old employee share option scheme expired in August 2010 and a new option scheme will be proposed in the forthcoming Annual General Meeting for the approval by the shareholders. Details of the old 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.

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. Through various initiative co-ordinated by the Human Resources Department, Kingsway is committed to enhance employees' sense of belonging and strengthen 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 2010 staff conference was held at the Clearwater Bay Country Club. During the conference, the Group successfully motivated and inspired our staff and built confidence in our goals and our leaders.

The Group also provides training for its SFC licensed staff to assist them in fulfilling their Continuing Professional Training requirements and to expand their understanding of various investment products.

Investor Education

With the development of more complex investment products, Kingsway understands that educating its clients to obtain the necessary understanding, skills and knowledge regarding various products, including its risks and rewards, is critical for investors to make informed financial decisions. Kingsway attaches great importance to investor education as it not only helps protect the investing public but also enhances investor confidence in the financial system.

In cooperation with the HKEX, Kingsway organised a seminar on "Stock Options – Applications and New Market Development". We also organise and hold quarterly investor gathering to update our clients on specific investment products and to update them on current economic trends.

Actively Supporting Charity and Public Welfare in Hong Kong and PRC

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.

World Vision – Skip-A-Meal

In conjunction with our long term partner World Vision Hong Kong, Kingsway once again participate for a fourth 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.

2010 Staff Conference

The Community Chest – Chinese General Chamber of Commerce Charity Walk

As one of the corporations that consistently support the work of The Community Chest, Kingsway was a corporate sponsor of the Chinese General Chamber of Commerce Charity Walk in Celebration of the PRC 60th Anniversary. On 27 September 2009, over forty staff members gathered at Victoria Park and via the Island Eastern Corridor walked to Quarry Bay Park. The Group raised HK$50,000, and the function raised over HK$10 million, all of which was donated to The Community Chest of Hong Kong to help the needy in the local community.

Hong Kong Baseball Association – The Phoenix Cup

Community Sports is an integral part of any community. This year Kingsway was proud to be a corporate sponsor of the Phoenix Cup Hong Kong International Women's Baseball Tournament. The Tournament, which was organised by the Hong Kong Baseball Association, was held in February 2010 and saw women's baseball teams from North America, Japan, Hong Kong, Korea, Australia and Taiwan participating.

Live in Harmony Fund Limited – Earthquake and Drought Relief

The worst drought in the past 50 years has left hundred thousands of people and millions of animals without drinking water in the Guangxi autonomous region. On 14 April 2010, a powerful 7.1 magnitude earthquake struke Yushu County. Thousands were left homeless and without food or water. Kingsway supports not only its local community, but international agencies committed to relieve suffering. This year Kingsway donated over HK$85,000 to Live In Harmony Fund Limited for its earthquake and drought relief efforts.

Recognition from the Community

For the fourth 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 the 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. We would like to take this opportunity to once again express our heartfelt thanks to The Community Chest for nominating our company as a Caring Company in 2009.

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 2006-10
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Investment Seminar

2009 Chinese General Chamber of Commerce Charity Walk

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 2010.

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, six board meetings were held and the principal businesses transacted included approving interim and final results and reports, assessing business performance and implementation and approving major transactions. During the year, a Board of Directors' Conference was held to reaffirm directors' duties and responsibilities and update the directors on changes to the Listing Rules and SFC Compliance matters. The attendance record of each director during the year ended 30 June 2010 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	6/6
William Wai Leung Wu	6/6
Michael Koon Ming Choi	6/6
Non-executive Directors	
Rebecca Yuk Fung Lau	4/6
Lee G. Lam	5/6
Independent Non-executive Directors	
Robert Tsai To Sze	4/6
Stanley Kam Chuen Ko	6/6
Michael Wai Chung Wu	4/6

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 also 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.

In accordance with clauses 86(2) and 87(1) of the Company's Bye-Laws, Mr Michael Koon Ming Choi and Dr Lee G. Lam will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election. Ms Rebecca Yuk Fung Lau has indicated that although eligible, she will not stand for re-election at the upcoming 2010 Annual General Meeting and will retire as a Director with effect from the conclusion thereof.

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 2010, two committee meetings were held, one to consider the annual results of the Group for the financial year ended 30 June 2009 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 2009. The attendance record of 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	1/2

(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 2010 to review the specific remuneration package of an executive director. 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	0/1

(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. 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 to review the structure, size and composition of the Board and to review and assess the independence of the independent non-executive directors during the year under review. The attendance record of each member is set out as follows:

Committee members	Number of Committee meeting 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 2010, the Corporate Governance Committee held one meeting to review the Company's corporate governance practices and to review the internal audit report. The attendance record of each member is set out as follows:

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 prudent credit limits and introducing regular reporting to senior management. With the assistance of the committees, the Board determines the overall risk management policies for the Group.

(a) Investment Committee

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

The committee consists of the Chief Investment Manager and 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

During the financial year and up to the date of this report, fees for auditing services and non-auditing services (including interim review, computer audit and report of agreed-upon procedures on on-going connected transactions) provided by the existing external auditor, Deloitte Touche Tohmatsu, for the year ended 30 June 2010 are HK$1,200,000 and HK$527,000 respectively.

Risk Management

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

OPERATIONAL RISK AND INTEREST RATE RISK

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

MARKET RISK

The Group operates in highly competitive and rapidly changeable markets. New market entrants, the intensification of price competition by existing competitors, product innovation or technical advancement could adversely affect the Group's financial conditions and result of operations. When the price of securities (listed or unlisted) decrease, it will adversely affect the value of our investment portfolio.

CREDIT RISK

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

The Group's Finance 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 AGM, poll voting was adopted for all decisions to be made at all general meetings, in compliance with the 2009 amendments to the Listing Rules. Details of the poll voting procedures are included in all circulars to shareholders which call for a general meeting and will be explained during the proceedings of the meeting.

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

To promote effective communication, the Company also maintains a website at www.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 53, 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.

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, an Economic Advisor to the President of the Chinese Academy of Sciences, PRC, a Council Member 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 56, 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 ("KFSGL"). 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 44, 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 17 years of experience in the financial services industry.

Mr Michael Koon Ming Choi, aged 42, was appointed as an Executive Director of the Company in 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 51, 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 51, was appointed as a Non-Executive Director of the Company on 1 February 2007. Dr Lam holds a BSc in Mathematics and Sciences, an MSc in Systems Science, and an MBA, 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 an LLB (Hons) in law from Manchester Metropolitan University in the UK, an LLM in law from the University of Wolverhampton in the UK, a PCLL in law (and has completed the Bar Course) from the City University of Hong Kong, and a PhD from the University of Hong Kong. Dr Lam has over 28 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 an independent non-executive director or a non-executive director of Hong Kong-listed CSI Properties Limited, China.com Limited, Far East Holdings International Limited, Finet Group Limited, Glorious Sun Enterprises Limited, Hutchison Harbour Ring Limited, Imagi International Holdings Limited, Mei Ah Entertainment Group Limited, Mingyuan Medicare Development Company Limited, Vongroup Limited, Singapore-listed Asia-Pacific Strategic Investments Limited, Ban Joo & Company Limited, Rowsley Limited, Top Global Limited, NASDAQ-listed CDC Software Corporation, and Frankfurt-listed Vietnam Equity Holding and Vietnam Property Holding. He served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms. Dr Lam is a Member of the Jilin Province Committee (and a former Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference (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 Fellow of the Hong Kong Institute of Arbitrators, a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a Vice President of the Hong Kong Association for the Advancement of Real Estate and Construction Technology, a founding Board Member and the Honorary Treasurer of the Hong Kong-Vietnam Chamber of Commerce, 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 69, 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 64, 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 61, 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 the CEO and the executive director of Tradelink Electronic Commerce Limited and an independent non-executive director of Shenzhen Investment Limited.

CHIEF FINANCIAL OFFICER

Mr Eric Kwok Keung Chan, aged 47, 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 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 49, was appointed as the Director of Legal and Compliance in April 2004 and subsequently 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 consolidated financial statements for the year ended 30 June 2010.

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 33 to the consolidated financial statements.

The analysis of the principal activities of the Group are set out in note 7 to the consolidated financial statements.

Results and appropriations

The profit of the Group for the year ended 30 June 2010 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 2010 of 0.33 HK cent per ordinary share was paid on 31 March 2010. 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 consolidated statement of changes in equity on the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$65,759.

Properties and equipment

Movements in properties and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

Share capital

Details of the Company's share capital are set out in note 27 to the consolidated financial statements.

Distributable reserves

The Company's reserves available for distribution to shareholders as at 30 June 2010 consisted of contributed surplus of HK$199,229,696 (2009: HK$199,229,696) and retained profits of HK$48,422,963 (2009: HK$90,629,104).

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 expired on 22 August 2010.

Note: There were no share options outstanding as at 30 June 2010 and 2009.

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

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 2010, 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.

(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	34,828,055 *(Note 1)*	–	45,481,151	50.3%
Ms Mary Yuk Sin Lam **	19,517,257	–	12,915,060 *(Note 2)*	32,432,317	35.9%
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.

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 (Continued)

Notes:

(1) Of these, 20,750,000 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.

(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 30 June 2010 and no options granted, exercised or cancelled in accordance with the terms of the share option scheme during the year.

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 30 June 2010 and no options granted, exercised or cancelled in accordance with terms of the share option scheme during the year by any directors and chief executive of the Company.

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

(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 to beneficial control a total of 51,106,151 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 to beneficial control 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.

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 2010, 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 2010, 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		% of total issued shares	
	Name of shareholder	Country of incorporation	Direct interest	Deemed interest		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 50.3% 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 35.9% 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 32 to the consolidated financial statements.

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

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

Brokerage commission was received from the Group's directors and their respective associates in the ordinary course of the Group's business of dealing in securities, options, futures and commodities. Commission rates are set at the same level as those normally offered to third party clients or the applicable staff rate if the clients are directors or employees of the Group. The total brokerage commission received by the Group from any one director and their respective associates was less than HK$1 million.

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

Total loans for the purpose of subscribing to initial public offer of securities granted to any director and their respective associates are less than HK$10 million. During the year, a director and an associate of a director were granted loans for subscribing initial public offers and the loan amounts exceeded HK$1 million. The maximum loan amount granted to the director and the respective associate was HK$1,426,166 and the interest received by the Group amounted to HK$903. The interest rates are set at the same level as those normally offered to third party clients or the applicable staff rate if the clients are directors or employees of the Group.

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

SBI Securities is a subsidiary of SBI Holdings, Inc., which in turn is a minority shareholder of a subsidiary of the Group. SBI Securities 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 Securities's securities transactions for securities traded on the Stock Exchange made through the electronic trading platform. The agreement terminated on 14 March 2010. During the term of the agreement and to the end of the financial year, the brokerage commission rate was set at the same level as those normally offered to third party clients and was subject to a minimum monthly fee. The total brokerage commission received by the Group during the term of the agreement was HK$2,333,369 and HK$3,495,368 for the year ended 30 June 2010. Pursuant to the Listing Rule amendment in respect of Connected Transactions effective on 3 June 2010, the brokerage transactions between SBI Securities and Kingsway Financial is exempt from continuing connected transactions announcement, reporting and annual review requirements.

Related party and connected party transactions (Continued)

The Securities Transactions, Margin Financing Transactions and SBI 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 2010 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 2010 did not exceed HK$10 million.

The auditors 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

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

By order of the board

Jonathan Koon Shum Choi
Chairman

Hong Kong, 16 September 2010

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 statements of financial position as at 30 June 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 2010 and of the Group's profit 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

16 September 2010

Consolidated Income Statement

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

	Notes	2010	2009
Turnover			
Net gain/(loss) on disposal of financial assets at fair value through profit or loss and remeasurement to fair value	4	**$ 43,073,490**	$ (6,799,047)
Commission and fee income	4	**80,634,801**	65,769,206
Interest and dividend income	4	**7,390,646**	8,848,051
		$ 131,098,937	$ 67,818,210
Other income	5	**863,910**	1,064,052
		$ 131,962,847	$ 68,882,262
Operating expenses			
Commission expenses		**(20,346,221)**	(13,508,240)
General and administrative expenses		**(95,766,052)**	(95,953,020)
Finance costs	6(a)	**(804,658)**	(365,130)
		$ 15,045,916	$ (40,944,128)
Loss on disposal of the disposal group	17	**(957,115)**	–
Impairment loss for the disposal group	17	**(2,427,392)**	–
Share of losses of associates	16	**(170,016)**	(14,184,480)
Share of losses of jointly controlled entities	17	**(1,074,716)**	(18,069,571)
Profit/(loss) before tax	6	**$ 10,416,677**	$ (73,198,179)
Income tax credit	8(a)	**57,029**	19,052,523
Profit/(loss) for the year		**$ 10,473,706**	$ (54,145,656)
Attributable to:			
Owners of the Company	10	**$ 10,494,426**	$ (61,239,560)
Non-controlling interests		**(20,720)**	7,093,904
Profit/(loss) for the year		**$ 10,473,706**	$ (54,145,656)
Basic earnings/(loss) per share	12	**0.3 cent**	(1.9) cents
Diluted earnings/(loss) per share	12	**0.3 cent**	(1.9) cents

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

		2010		2009
Profit/(loss) for the year	**$**	**10,473,706**	$	(54,145,656)
Other comprehensive income:				
Exchange differences arising on translation of financial statements of overseas subsidiaries	**$**	**(334,516)**	$	48,385
Share of exchange differences arising on translation recognised by associates		**(4,059)**		770
Surplus/(deficit) on revaluation of land and buildings held for own use		**3,037,664**		(1,528,963)
Other comprehensive income/(expenses) for the year	**$**	**2,699,089**	$	(1,479,808)
Total comprehensive income/(expenses) for the year	**$**	**13,172,795**	$	(55,625,464)
Total comprehensive income/(expenses) attributable to:				
Owners of the Company	**$**	**13,193,515**	$	(62,719,368)
Non-controlling interests		**(20,720)**		7,093,904
Total comprehensive income/(expenses) for the year	**$**	**13,172,795**	$	(55,625,464)

Consolidated Statement of Financial Position

At 30 June 2010 (Expressed in Hong Kong dollars)

	Notes	2010	2009
Non-current assets			
Properties and equipment	13	**$ 26,955,547**	$ 25,471,672
Intangible assets	14	**2,331,141**	2,331,141
Interests in associates	16	**31,116,724**	31,513,175
Interests in jointly controlled entities	17	**–**	39,137,566
Other financial assets	18	**9,670,137**	8,809,081
		$ 70,073,549	$ 107,262,635
Current assets			
Financial assets at fair value through profit or loss	19	**$ 314,977,473**	$ 222,660,272
Accounts, loans and other receivables	20	**274,063,690**	186,186,483
Amounts due from related companies	21	**17,804**	17,804
Amounts due from jointly controlled entities	17	**–**	102,840,608
Cash and cash equivalents	22	**198,799,944**	133,446,689
		$ 787,858,911	$ 645,151,856
Current liabilities			
Accruals, accounts and other payables	23	**$ 296,383,976**	$ 116,742,804
Bank loans	24	**757,938**	50,737,516
Obligations under finance leases	25	**629,492**	561,659
Current taxation		**1,450,324**	3,934,957
		$ 299,221,730	$ 171,976,936
Net current assets		**$ 488,637,181**	$ 473,174,920
Total assets less current liabilities		**$ 558,710,730**	$ 580,437,555
Non-current liabilities			
Non-current bank loans	24	**$ 3,275,788**	$ 4,032,181
Non-current obligations under finance leases	25	**55,569**	685,061
Deferred tax liabilities	26	**305,199**	362,228
		$ 3,636,556	$ 5,079,470
NET ASSETS		**$ 555,074,174**	$ 575,358,085
CAPITAL AND RESERVES			
Share capital	27	**$ 324,822,391**	$ 324,822,391
Reserves		**230,092,194**	250,355,385
Equity attributable to owners of the Company		**$ 554,914,585**	$ 575,177,776
Non-controlling interests		**159,589**	180,309
TOTAL EQUITY		**$ 555,074,174**	$ 575,358,085

The consolidated financial statements on pages 31 to 86 were approved and authorised for issue by the Board of Directors on 16 September 2010 and signed on its behalf by:

Mary Yuk Sin Lam
Director

William Wai Leung Wu
Director

Statement of Financial Position

At 30 June 2010 (Expressed in Hong Kong dollars)

	Notes	2010	2009
Non-current assets			
Interest in subsidiaries	15	**$ 242,222,358**	$ 262,222,358
Amount due from a subsidiary	21	**126,754,056**	–
		$ 368,976,414	$ 262,222,358
Current assets			
Prepayments and deposits	20	**$ 178,000**	$ 180,050
Amounts due from subsidiaries	21	**154,957,230**	354,255,800
Cash and cash equivalents		**80,773,058**	30,430,908
		$ 235,908,288	$ 384,866,758
Current liabilities			
Accruals, accounts and other payables	23	**$ 598,492**	$ 596,765
Net current assets		**$ 235,309,796**	$ 384,269,993
NET ASSETS		**$ 604,286,210**	$ 646,492,351
CAPITAL AND RESERVES			
Share capital	27	**$ 324,822,391**	$ 324,822,391
Reserves	29	**279,463,819**	321,669,960
TOTAL EQUITY		**$ 604,286,210**	$ 646,492,351

Mary Yuk Sin Lam
Director

William Wai Leung Wu
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010 (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 year	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 10,494,426**	**$ 10,494,426**	**$ (20,720)**	**$ 10,473,706**
Exchange differences arising on translation of financial statements of overseas subsidiaries	**–**	**–**	**–**	**–**	**(334,516)**	**–**	**–**	**(334,516)**	**–**	**(334,516)**
Share of exchange differences arising on translation recognised by associates	**–**	**–**	**–**	**–**	**(4,059)**	**–**	**–**	**(4,059)**	**–**	**(4,059)**
Surplus on revaluation of land and buildings held for own use	**–**	**–**	**–**	**–**	**–**	**3,037,664**	**–**	**3,037,664**	**–**	**3,037,664**
Total comprehensive income/(expenses) for the year	**$ –**	**$ –**	**$ –**	**$ –**	**$ (338,575)**	**$ 3,037,664**	**$ 10,494,426**	**$ 13,193,515**	**$ (20,720)**	**$ 13,172,795**
2009 final dividend paid	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ (22,737,567)**	**$ (22,737,567)**	**$ –**	**$ (22,737,567)**
2010 Interim dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(10,719,139)**	**(10,719,139)**	**–**	**(10,719,139)**
At 30 June 2010	**$ 324,822,391**	**$ 31,811,160**	**$ 39,800,000**	**$ 63,391,540**	**$ (2,573,159)**	**$ 11,499,153**	**$ 86,163,500**	**$ 554,914,585**	**$ 159,589**	**$ 555,074,174**
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 year	$ –	$ –	$ –	$ –	$ –	$ –	$ (61,239,560)	$ (61,239,560)	$ 7,093,904	$ (54,145,656)
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	–	–	48,385	–	–	48,385	–	48,385
Share of exchange differences arising on translation recognised by associates	–	–	–	–	770	–	–	770	–	770
Deficit on revaluation of land and buildings held for own use	–	–	–	–	–	(1,528,963)	–	(1,528,963)	–	(1,528,963)
Total comprehensive income/(expenses) for the year	$ –	$ –	$ –	$ –	$ 49,155	$ (1,528,963)	$ (61,239,560)	$ (62,719,368)	$ 7,093,904	$ (55,625,464)
Return of capital to non-controlling interests	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ (20,099,220)	$ (20,099,220)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(14,605,002)	(14,605,002)
2008 final dividend paid	–	–	–	–	–	–	(22,737,567)	(22,737,567)	–	(22,737,567)
2009 interim dividend paid	–	–	–	–	–	–	(10,719,139)	(10,719,139)	–	(10,719,139)
At 30 June 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

Consolidated Statement of Cash Flows

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

		2010		2009
Operating activities				
Profit/(loss) before tax	**$**	**10,416,677**	$	(73,198,179)
Adjustments for:				
Depreciation		**2,894,322**		3,331,907
Interest expense		**804,658**		365,130
Dividend income		**(3,396,401)**		(3,764,726)
Interest income		**(3,994,245)**		(5,083,325)
Share of losses of associates		**170,016**		14,184,480
Share of losses of jointly controlled entities		**1,074,716**		18,069,571
Impairment loss for the disposal group		**2,427,392**		–
Loss on disposal of the disposal group		**957,115**		–
Net loss on disposal of equipment		**–**		4,875
Charge for impairment losses for accounts and other receivables		**501,707**		5,028,658
Effect of foreign exchange rate changes		**(338,232)**		49,335
Operating profit/(loss) before changes in working capital	**$**	**11,517,725**	$	(41,012,274)
(Increase)/decrease in other financial assets		**(861,056)**		109,304
(Increase)/decrease in financial assets at fair value through profit or loss		**(92,317,201)**		95,818,198
Increase in accounts, loans and other receivables		**(88,079,477)**		(7,588,523)
Increase in amounts due from jointly controlled entities		**–**		(137,590)
Increase/(decrease) in accruals, accounts and other payables		**179,641,674**		(51,505,035)
Cash generated from/(used in) operations	**$**	**9,901,665**	$	(4,315,920)
Interest received		**3,087,099**		3,581,275
Dividend received		**3,096,964**		2,756,463
Interest paid		**(805,160)**		(369,409)
Hong Kong Profits Tax paid		**(2,484,633)**		(15,767,111)
Net cash generated from/(used in) operating activities	**$**	**12,795,935**	$	(14,114,702)

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

	Note	2010	2009
Investing activities			
Payment for purchase of properties and equipment		**$ (1,336,817)**	$ (1,468,867)
Return of capital from an associate		**222,376**	–
Advance to jointly controlled entities		**(55,000,000)**	–
Net proceeds from disposal of the disposal group	17	**193,426,097**	–
Net cash generated from/(used in) investing activities		**$ 137,311,656**	$ (1,468,867)
Financing activities			
Repayment of bank loans		**$ (50,735,971)**	$ (698,765)
Proceeds from new bank loan		**–**	50,000,000
Repayment of obligations under finance leases		**(561,659)**	(501,137)
Dividends paid to owners of the Company		**(33,456,706)**	(33,456,706)
Return of capital to non-controlling interests		**–**	(20,099,220)
Dividends paid to non-controlling interests		**–**	(14,605,002)
Net cash used in financing activities		**$ (84,754,336)**	$ (19,360,830)
Net increase/(decrease) in cash and cash equivalents		**$ 65,353,255**	$ (34,944,399)
Cash and cash equivalents at 1 July 2009/2008		**133,446,689**	168,391,088
Cash and cash equivalents at 30 June 2010/2009		**$ 198,799,944**	$ 133,446,689
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		**$ 198,799,944**	$ 133,446,689

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

1 Corporate information

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 17 May 2000. Pursuant to a Group reorganisation completed on 10 August 2000 (the "Reorganisation") to rationalise the Company and its subsidiaries in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company issued shares in exchange for the entire share capital of SW Kingsway Capital Group Limited and thereby became the holding company of the Group. The Company's shares were successfully listed on the Stock Exchange on 15 September 2000. The 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 33.

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

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

In the current year, the Group has applied all of the new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 July 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

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

HKAS 1 (revised in 2007) Presentation of Financial Statements

HKAS 1 (2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure Standard and it has had no impact on the designation of the Group's reportable segments, reported results or financial position of the Group.

Improving disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 17 (Amendments)	Leases[4]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issues[3]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 9	Financial Instruments[6]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 January 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2013

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

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

3 Significant accounting policies

(a) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange 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 basis 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 explained in the accounting policies below.

(b) BASIS OF CONSOLIDATION

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

3 Significant accounting policies (Continued)

(b) BASIS OF CONSOLIDATION (Continued)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 July 2009, losses applicable to the non-controlling interests in excess of the carrying amounts of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries prior to 1 July 2009

Increases in ownership interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in ownership interests in subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Changes in the Group's ownership interests in existing subsidiaries after 1 July 2009

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

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3 Significant accounting policies (Continued)

(c) BUSINESS COMBINATIONS

Business combinations prior to 1 July 2009

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the business combination, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against goodwill.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Business combinations on or after 1 July 2009

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (2008) are recognised at their fair values, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 *Share-based Payment*; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3 Significant accounting policies (Continued)

(c) BUSINESS COMBINATIONS (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

3 Significant accounting policies (Continued)

(d) GOODWILL

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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 the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e) ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

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

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in the investee are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of the investee, less any impairment in the value of individual investments. When the Group's share of losses of the investee exceeds the Group's interest in that investee (which includes any long-term interests that, in substance, form part of the Group's net investment in the investee), the Group discontinues recognising its share of further losses. Additional losses are provided only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Where a group entity transacts with an associate or a jointly controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate or jointly controlled entity.

3 Significant accounting policies (Continued)

(f) NON-CURRENT ASSETS HELD FOR SALE

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.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(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 statement of financial position. They are stated at cost less impairment losses (see note 3(l)) and are tested for impairment annually by comparing their recoverable amounts with their carrying amounts.

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

(h) CASH AND CASH EQUIVALENTS

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

(i) FINANCIAL INSTRUMENTS

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

3 Significant accounting policies (Continued)

(i) FINANCIAL INSTRUMENTS (Continued)

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

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

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial assets 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.

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

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 reporting date subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses, if any (see the accounting policy in respect of impairment loss on financial assets below) unless the effect of discounting would be immaterial. In such case, the receivables are stated at cost less impairment losses, if any.

3 Significant accounting policies (Continued)

(i) FINANCIAL INSTRUMENTS (Continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

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

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

3 Significant accounting policies (Continued)

(i) FINANCIAL INSTRUMENTS (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

Other financial liabilities

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

Derecognition

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

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

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

3 Significant accounting policies (Continued)

(j) PROPERTY AND EQUIPMENT

(i) Land and buildings held for own use

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

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

(ii) Equipment

Equipment, comprising leasehold improvements, furniture and fixtures, office equipment and motor vehicles is stated at cost less accumulated depreciation and impairment losses, if any (see note 3(l)).

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

(iii) Depreciation

Depreciation is recognised so as to write off the cost or fair value of assets less their 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%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

3 Significant accounting policies (Continued)

(k) LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(l) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

3 Significant accounting policies (Continued)

(m) REVENUE RECOGNITION

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

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

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

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

(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 end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plans

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

(iii) Defined contribution pension plan obligations

The Group 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 the contributions become fully vested.

3 Significant accounting policies (Continued)

(n) EMPLOYEE BENEFITS (Continued)

(iv) Share-based payments transactions

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

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

(o) TAXATION

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

The tax currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3 Significant accounting policies (Continued)

(p) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

(q) TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

4 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.

		2010		2009
Net gain/(loss) on disposal of financial assets at fair value through profit or loss and remeasurement to fair value				
– equity securities	**$**	**43,021,232**	$	4,117,355
– debt securities designated at fair value through profit or loss		**–**		(591,298)
– derivatives and others		**52,258**		(10,325,104)
	$	**43,073,490**	$	(6,799,047)
Commission and fee income on				
– stock, options, futures and commodities brokerage	**$**	**61,939,420**	$	47,231,754
– underwriting and placements in equity capital markets		**7,820,575**		3,204,445
– corporate finance		**7,344,043**		11,426,567
– miscellaneous fee income		**3,530,763**		3,906,440
	$	**80,634,801**	$	65,769,206
Interest and dividend income				
– interest from				
– bank deposits	**$**	**170,223**	$	1,969,998
– margin and IPO financing		**2,915,868**		1,595,961
– others		**908,154**		1,517,366
– dividends from listed equity securities		**3,396,401**		3,764,726
	$	**7,390,646**	$	8,848,051
	$	**131,098,937**	$	67,818,210

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

5 Other income

		2010		2009
Exchange gain (net)	**$**	**343,961**	$	–
Other income		**519,949**		1,064,052
	$	**863,910**	$	1,064,052

6 Profit/(loss) before tax

Profit/(loss) before tax is arrived at after charging:

		2010		2009
(a) Finance costs:				
Interest on:				
– bank loans and overdrafts	**$**	**690,625**	$	190,363
– obligations under finance leases		**113,940**		174,463
– other		**93**		304
	$	**804,658**	$	365,130
(b) Staff costs:				
Salaries and other allowances	**$**	**57,480,498**	$	53,870,052
Pension costs – defined contribution plan		**1,170,753**		1,436,413
	$	**58,651,251**	$	55,306,465
(c) Other items:				
Impairment losses for accounts and other receivables	**$**	**501,707**	$	5,028,658
Operating lease charges – land and buildings		**9,809,289**		8,645,068
Share of associates' taxation		**44,150**		384,208
Depreciation		**2,894,322**		3,331,907
Net loss on disposal of equipment		**–**		4,875
Auditors' remuneration		**1,574,717**		1,587,696
Exchange loss (net)		**–**		270,514

7 Segment reporting

The Group has adopted HKFRS 8 Operating Segments with effect from 1 July 2009. HKFRS 8 is a disclosure Standard that 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 for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. The adoption of HKFRS 8 has had no material effect on the presentation of segments information nor basis of measurement of segment profit or loss.

For management purpose, the Group's activities are organised under the following operating 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
Others	:	Provision of management, administrative and corporate secretarial services, inter-group loan financing and inter-group office leasing

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 2010 (Expressed in Hong Kong dollars)

7 Segment reporting (Continued)

	2010						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Segmental income statement							
Turnover (Segment revenue)	$ 51,703,666	$ (5,044,350)	$ 66,241,454	$ 16,087,366	$ 23,452	$ 2,087,349	$ 131,098,937
Inter-segment revenue	84	–	764,792	–	–	20,780,484	21,545,360
Other income	(37)	–	357,472	3,551	–	502,924	863,910
	$ 51,703,713	$ (5,044,350)	$ 67,363,718	$ 16,090,917	$ 23,452	$ 23,370,757	$ 153,508,207
Eliminations							(21,545,360)
Total income							$ 131,962,847
Segment results	$ 44,803,040	$ (5,769,726)	$ (14,428,214)	$ (2,710,943)	$ (1,381,159)	$ (5,467,082)	$ 15,045,916
Loss on disposal of the disposal group	$ –	$ (957,115)	$ –	$ –	$ –	$ –	(957,115)
Impairment loss for the disposal group	–	(2,427,392)	–	–	–	–	(2,427,392)
Share of (losses)/profits of associates	–	(133,948)	116,291	–	(152,359)	–	(170,016)
Share of losses of jointly controlled entities	–	(1,074,716)	–	–	–	–	(1,074,716)
Profit before tax							$ 10,416,677
Segment assets							
Segment assets	$ 317,773,070	$ –	$ 414,541,176	$ 7,880,686	$ 875,408	$ 112,727,175	$ 853,797,515
Interests in associates	–	18,368,348	12,748,376	–	–	–	31,116,724
							$ 884,914,239
Eliminations							(26,981,779)
Total assets							$ 857,932,460
Other segmental information							
Depreciation	$ –	$ –	$ 1,005,401	$ 94,774	$ 6,076	$ 1,788,071	$ 2,894,322
Addition to non-current assets	$ –	$ –	$ 976,890	$ –	$ –	$ 359,927	$ 1,336,817
Impairment losses for accounts and other receivables	$ –	$ –	$ 1,707	$ 500,000	$ –	$ –	$ 501,707

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

7 Segment reporting (Continued)

	2009						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Segmental income statement							
Turnover (Segment revenue)	$ 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 tax							$ (73,198,179)
Segment assets							
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
Other segmental information							
Depreciation	$ –	$ –	$ 1,093,154	$ 162,752	$ 8,536	$ 2,067,465	$ 3,331,907
Addition to non-current assets	$ –	$ –	$ 639,467	$ –	$ –	$ 829,400	$ 1,468,867
Impairment losses for accounts and other receivables	$ –	$ –	$ 9,304	$ 5,019,354	$ –	$ –	$ 5,028,658
Net loss on disposal of equipment	$ –	$ 4,875	$ –	$ –	$ –	$ –	$ 4,875

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

7 Segment reporting (Continued)

Geographical information

The Group's revenue from external customers and information about its non-current assets (excluded interests in associates, interests in jointly controlled entities and other financial assets) by geographical location are detailed below:

	Group			
	Turnover		Non-current assets	
	2010	2009	**2010**	2009
Hong Kong	**$125,242,135**	$ 65,930,846	**$ 5,570,139**	$ 6,446,718
The People's Republic of China (the "PRC")	**4,811,661**	1,753,596	**23,716,549**	21,356,095
Other	**1,045,141**	133,768	**–**	–
	$131,098,937	$ 67,818,210	**$ 29,286,688**	$ 27,802,813

Information about major customers

Included in revenues arising from brokerage division of $66.2 million (2009: $49.9 million) are revenues of approximately $11.4 million (2009: $7.9 million) which arose from commission income received from the Group's largest customer.

8 Income tax in the consolidated income statement

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

Hong Kong Profits Tax is calculated at 16.5% (2009: 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.

	2010	2009
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**$ –**	$ –
Over provision in prior years (net)	**–**	(18,989,586)
	$ –	$ (18,989,586)
Deferred tax		
Tax for the year	**$ (57,029)**	$ (62,937)
Income tax credit	**$ (57,029)**	$ (19,052,523)

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

8 Income tax in the consolidated income statement (Continued)

(b) RECONCILIATION BETWEEN INCOME TAX CREDIT AND ACCOUNTING PROFIT/(LOSS) AT APPLICABLE TAX RATES:

	2010	2009
Profit/(loss) before tax	$ 10,416,677	$ (73,198,179)
Add: Loss on disposal of the disposal group	957,115	–
Impairment loss for the disposal group	2,427,392	–
Share of losses of associates	170,016	14,184,480
Share of losses of jointly controlled entities	1,074,716	18,069,571
	$ 15,045,916	$ (40,944,128)
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	$ 2,482,576	$ (6,755,781)
Effect of different tax rates of subsidiaries operating in other jurisdictions	594,647	748,081
Tax effect of non-deductible expenses	180,378	174,616
Tax effect of non-taxable income	(603,217)	(945,671)
Tax effect of utilisation of tax losses not previously recognised	(5,728,711)	(10,889)
Tax effect of tax losses not recognised	2,898,854	6,579,264
Over provision in prior years (net)	–	(18,989,586)
Others	118,444	147,443
Income tax credit	$ (57,029)	$ (19,052,523)

9 Directors' and management's emoluments

(a) DIRECTORS' EMOLUMENTS

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

	2010				
	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	–	2,926,872	136,500	12,000	3,075,372
William Wai Leung Wu	–	3,021,810	1,978,250	12,000	5,012,060
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	$ 6,488,682	$ 2,114,750	$ 96,000	$ 10,899,432

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

9 Directors' and management's emoluments (Continued)

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

	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

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 (2009: 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 (2009: 4) individuals during the year are as follows:

	2010	2009
Salaries, other allowances and benefits in kind	**$ 4,643,490**	$ 5,726,330
Bonuses	**6,838,750**	5,644,365
Retirement scheme contributions	**48,000**	48,000
	$ 11,530,240	$ 11,418,695

The emoluments are within the following bands:

	2010 Number of individuals	2009 Number of individuals
$1,500,001 – $2,000,000	**–**	1
$2,000,001 – $2,500,000	**2**	2
$2,500,001 – $3,000,000	**1**	–
$3,500,001 – $4,000,000	**1**	–
$4,500,001 – $5,000,000	**–**	1

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

10 Profit/(loss) attributable to owners of the Company

The consolidated profit/(loss) attributable to owners of the Company includes a loss of $8,749,435 (2009: $12,490,951) which has been dealt with in the financial statements of the Company.

11 Dividends

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

		2010		2009
Interim dividend paid of 0.33 cent per share (2009: 0.33 cent per share)	**$**	**10,719,139**	$	10,719,139
Final dividend proposed after the end of the reporting period of 0.7 cent per share (2009: 0.7 cent per share)		**22,737,567**		22,737,567
	$	**33,456,706**	$	33,456,706

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

(b) DIVIDENDS RECOGNISED AS DISTRIBUTIONS DURING THE YEAR

		2010		2009
Final dividend in respect of the previous financial year, approved and paid of 0.7 cent per share (2009: 0.7 cent per share)	**$**	**22,737,567**	$	22,737,567
Interim dividend paid of 0.33 cent per share (2009: 0.33 cent per share)		**10,719,139**		10,719,139
	$	**33,456,706**	$	33,456,706

12 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is based on the Group's profit for the year attributable to owners of the Company of $10,494,426 (2009: loss of $61,239,560) and on 3,248,223,906 (2009: 3,248,223,906) ordinary shares in issue during the year.

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

13 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 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 and 1 July 2009	$ 20,027,233	$ 4,541,009	$ 887,741	$ 12,909,752	$ 2,292,052	$ 40,657,787
Exchange adjustments	–	20,895	321	4,793	11,270	37,279
Additions	–	249,324	1,157	1,086,336	–	1,336,817
Disposals	–	(814,335)	–	–	–	(814,335)
Elimination on revaluation	(473,902)	–	–	–	–	(473,902)
Surplus on revaluation	3,037,664	–	–	–	–	3,037,664
At 30 June 2010	$ 22,590,995	$ 3,996,893	$ 889,219	$ 14,000,881	$ 2,303,322	$ 43,781,310
Accumulated depreciation and impairment						
At 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 and 1 July 2009	$ –	$ 3,844,147	$ 615,088	$ 8,595,269	$ 2,131,611	$ 15,186,115
Exchange adjustments	–	19,628	223	3,882	9,830	33,563
Charge for the year	473,902	393,627	86,800	1,892,699	47,294	2,894,322
Elimination on revaluation	(473,902)	–	–	–	–	(473,902)
Disposals	–	(814,335)	–	–	–	(814,335)
At 30 June 2010	$ –	$ 3,443,067	$ 702,111	$ 10,491,850	$ 2,188,735	$ 16,825,763
Carrying values:						
At 30 June 2010	$ 22,590,995	$ 553,826	$ 187,108	$ 3,509,031	$ 114,587	$ 26,955,547
At 30 June 2009	$ 20,027,233	$ 696,862	$ 272,653	$ 4,314,483	$ 160,441	$ 25,471,672
Representing:						
Cost	$ –	$ 3,996,893	$ 889,219	$ 14,000,881	$ 2,303,322	$ 21,190,315
Valuation	22,590,995	–	–	–	–	22,590,995
At 30 June 2010	$ 22,590,995	$ 3,996,893	$ 889,219	$ 14,000,881	$ 2,303,322	$ 43,781,310
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

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

13 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 2010 by RHL Appraisal Limited, an independent firm of chartered surveyors employed by the Group, on the basis of open market value. The revaluation surplus of $3,037,664 (2009: deficit of $1,528,963) was charged to the revaluation reserve. If land and buildings held for own use had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of $11,360,957 (2009: $11,626,225).

At the end of the reporting period, the net book value of office equipment held under finance leases of the Group was $555,189 (2009: $1,067,671). At the end of the lease term, the Group has an 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 $22,280,900 (2009: $19,743,561) to secure the bank loans amounting to $4,033,726 (2009: $4,769,697).

14 Intangible assets

	Group			
	Membership of Chinese Gold & Silver Exchange Society	**Club memberships**	**Exchange trading rights**	**Total**
Cost				
At 1 July 2008, 30 June 2009, 1 July 2009 and 30 June 2010	$ 280,000	$ 590,000	$ 1,554,670	$ 2,424,670
Impairment				
At 1 July 2008, 30 June 2009, 1 July 2009 and 30 June 2010	$ –	$ 70,000	$ 23,529	$ 93,529
Carrying amount				
At 30 June 2010	$ 280,000	$ 520,000	$ 1,531,141	$ 2,331,141
At 30 June 2009	$ 280,000	$ 520,000	$ 1,531,141	$ 2,331,141

15 Interest in subsidiaries

	Company	
	2010	2009
Unlisted shares, at cost	**$ 271,222,358**	$ 271,222,358
Less: Impairment loss	**(29,000,000)**	(9,000,000)
	$ 242,222,358	$ 262,222,358

Particulars of the significant subsidiaries of the Group are set out in note 33.

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

16 Interests in associates

	Group	
	2010	2009
Carrying amount of unlisted associates	**$ 31,116,724**	$ 31,513,175

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	
					2010	2009
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%
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%

Summarised financial information of associates:

	Assets	Liabilities	Net Assets	Revenue	Loss
2010					
100 per cent	**$ 264,250,766**	**$ 160,528,354**	**$ 103,722,412**	**$ 10,648,662**	**$ (363,574)**
Group's effective interest	**$ 79,275,230**	**$ 48,158,506**	**$ 31,116,724**	**$ 3,194,605**	**$ (170,016)**
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)

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

17 Interests in jointly controlled entities

	Group 2010	Group 2009
Carrying amount of unlisted jointly controlled entities	**$ –**	$ 39,137,566

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 2010	Interest indirectly held 2009
Total Express Investments Limited	Incorporated	British Virgin Islands	Investment holding	2,000 ordinary shares of US$1 each	–	50%
Overseas Billion Limited	Incorporated	Hong Kong	Property investment	100,000 ordinary shares of $1 each	–	50%
Well Talent Limited	Incorporated	Hong Kong	Property investment	100,000 ordinary shares of $1 each	–	50%
Luxury Development Limited	Incorporated	Hong Kong	Property investment	100,000 ordinary shares of $1 each	–	50%

Summarised financial information of jointly controlled entities – Group's effective interest which were accounted for using the equity method:

	2010	2009
Non-current assets	**$ –**	$ 198,524,098
Current assets	**–**	6,323,251
Non-current liabilities	**–**	(4,808,377)
Current liabilities	**–**	(160,901,406)
Net assets	**$ –**	$ 39,137,566
Income	**$ 4,012,959**	$ 7,131,854
Expenses	**(5,087,675)**	(25,201,425)
Loss for the year	**$ (1,074,716)**	$ (18,069,571)

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

17 Interests in jointly controlled entities (Continued)

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"), and to assign the debts due from the jointly controlled entities. 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 investment properties in the PRC. The Group's interest in Total Express has been classified as a disposal group held for sale and was measured at the lower of its carrying amount and fair value less cost to sell and an impairment loss of $2,427,392 was recognised. The disposal was completed in March 2010 with sale proceeds (less selling costs) of $193,426,097 and a loss on disposal of $957,115.

As at 30 June 2009, the amounts due from jointly controlled entities of $27,310,000 were unsecured, interest bearing and were repayable on 31 December 2009 and the remaining amounts were unsecured, non-interest bearing and repayable on demand.

18 Other financial assets

	Group	
	2010	2009
Statutory deposits	**$ 5,479,091**	$ 5,107,905
Other deposits and receivables	**4,191,046**	3,701,176
	$ 9,670,137	$ 8,809,081

19 Financial assets at fair value through profit or loss

	Group	
	2010	2009
Held for trading investments include:		
Listed equity securities, at fair value		
– in Hong Kong	**$ 314,977,473**	$ 221,376,908
– outside Hong Kong	**–**	324
	$ 314,977,473	$ 221,377,232
Unlisted investments, at fair value		
– derivative instruments	**$ –**	$ 1,283,040
	$ 314,977,473	$ 222,660,272

Fair value is determined with reference to quoted markets bid prices.

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

20 Accounts, loans and other receivables

		Group		Company	
	Notes	**2010**	2009	**2010**	2009
Accounts and loans receivables					
Amounts due from brokers and clearing houses	*(a)*	**$ 171,658,135**	$ 59,850,685	**$ –**	$ –
Amounts due from margin clients	*(b)*	**31,079,627**	12,353,379	**–**	–
Amounts due from cash clients	*(c)*	**70,106,839**	113,407,160	**–**	–
Loans receivable	*(d)*	**–**	1,214,505	**–**	–
Other accounts receivable	*(e)*	**7,782,943**	6,500,235	**–**	–
		$ 280,627,544	$ 193,325,964	**$ –**	$ –
Less: Impairment losses		**(9,135,136)**	(9,847,934)	**–**	–
		$ 271,492,408	$ 183,478,030	**$ –**	$ –
Prepayments, deposits and other receivables	*(f)*	**2,571,282**	2,708,453	**178,000**	180,050
		$ 274,063,690	$ 186,186,483	**$ 178,000**	$ 180,050

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 2010, the Group held $2,875,405 (2009: $6,092,154) with SEOCH and $5,105,050 (2009: $5,713,746) 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 2010, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately $202 million (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 credit terms for loans granted by the Group's brokerage division are set by management with reference to the financial background and the value and nature of collateral pledged by the borrower. The loan receivable was fully written off during the year and full impairment loss provision against the loan receivable was made in prior years.

(e) The balance included an amount of $80,000 (2009: $80,000) receivable from an associate arising from normal business transactions.

(f) The receivable arising from the unlisted convertible bonds, which matured last year, with a face value of $40,070,000 was fully written off during the year. Full impairment loss provision against the receivable was made in prior years.

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

20 Accounts, loans and other receivables (Continued)

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

	Group		Company	
	2010	2009	**2010**	**2009**
Within one month past due	**$ 180,612**	$ 641,354	**$ –**	$ –
More than one month and within three months past due	**727,410**	580,646	**–**	–
More than three months past due	**676,009**	38,380	**–**	–
	$ 1,584,031	$ 1,260,380	**$ –**	$ –

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

	Group		Company	
	2010	2009	**2010**	**2009**
Current and within one month	**$ 269,908,377**	$ 182,217,650	**–**	–
More than one month and within three months	**700,612**	1,141,354	**–**	–
More than three months	**883,419**	119,026	**–**	–
	$ 271,492,408	$ 183,478,030	**$ –**	$ –

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

	Amounts due from margin clients	Loans receivable	Other accounts receivable	Total
At 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 and 1 July 2009	$ 3,578,575	$ 1,214,505	$ 5,054,854	$ 9,847,934
Amounts written off	–	(1,214,505)	–	(1,214,505)
Amounts charged to consolidated income statement	1,707	–	500,000	501,707
At 30 June 2010	$ 3,580,282	$ –	$ 5,554,854	$ 9,135,136

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

20 Accounts, loans and other receivables (Continued)

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.

21 Amounts due from subsidiaries and related companies

The non-current amount due from a subsidiary is unsecured and will not be repayable within 12 months.

The amounts due from subsidiaries and related companies are unsecured, repayable on demand and interest-free except for an amount due from a subsidiary of $81,689,809 (2009: $Nil) bearing interest at 1% above HIBOR. The Company assesses at the reporting date whether or not there is objective evidence that the amounts due from subsidiaries and related companies are impaired and no impairment was noted.

22 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 2010, segregated clients' accounts not otherwise dealt with in these consolidated financial statements amounted to $373,323,289 (2009: $659,059,698).

23 Accruals, accounts and other payables

	Group		Company	
	2010	2009	**2010**	**2009**
Accounts payable (current and within one month)				
Amounts due to brokers and clearing houses	**$ 33,272,450**	$ 17,979,152	**$ –**	$ –
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	**238,970,330**	78,940,221	**–**	–
Others	**5,027,902**	5,801,352	**–**	–
	$ 277,270,682	$ 102,720,725	**$ –**	$ –
Other creditors and accruals	**19,113,294**	14,022,079	**598,492**	596,765
	$ 296,383,976	$ 116,742,804	**$ 598,492**	$ 596,765

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

24 Bank loans

	Group			
		2010		2009
Secured bank loans	**$**	**4,033,726**	$	4,769,697
Unsecured bank loan		**–**		50,000,000
	$	**4,033,726**	$	54,769,697

The bank loans are repayable as follows:

	Group			
		2010		2009
Within one year or on demand	**$**	**757,938**	$	50,737,516
More than one year, but not exceeding two years		**781,752**		759,074
More than two years, but not exceeding five years		**2,378,461**		2,416,539
After five years		**115,575**		856,568
	$	**4,033,726**	$	54,769,697
Less: Amount due after one year shown under non-current liabilities		**(3,275,788)**		(4,032,181)
	$	**757,938**	$	50,737,516

Some of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 34. As at 30 June 2010, none of the covenants relating to drawn down facilities had been breached.

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

25 Obligations under finance leases

At 30 June 2010 and 2009, the Group had obligations under finance leases repayable as follows:

	30 June 2010 Present value of the minimum lease payments	30 June 2010 Total minimum lease payments
Within one year	$ 629,492	$ 675,600
After one year but within two years	55,569	56,300
	$ 685,061	$ 731,900
Less: Total future interest expenses		(46,839)
Present value of lease obligations		$ 685,061

	30 June 2009 Present value of the minimum lease payments	30 June 2009 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

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

26 Deferred taxation

(a) DEFERRED TAX LIABILITIES RECOGNISED

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

		Accelerated depreciation
At 1 July 2008	$	425,165
Credited to consolidated income statement		(62,937)
At 30 June 2009 and 1 July 2009	$	362,228
Credited to consolidated income statement		(57,029)
At 30 June 2010	$	305,199

(b) DEFERRED TAX ASSETS NOT RECOGNISED

In accordance with the accounting policy set out in note 3(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $372 million (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 will not expire under current tax regulation.

27 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 2008 and 2009, 30 June 2009 and 2010	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 2010 (Expressed in Hong Kong dollars)

27 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 2010 and 2009, 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 owners of the Company. The gearing ratio at year-end was as follows:

	2010	2009
Total bank borrowings	**$ 4,033,726**	$ 54,769,697
Total obligations under finance leases	**685,061**	1,246,720
Total borrowings	**$ 4,718,787**	$ 56,016,417
Equity attributable to owners of the Company	**$ 554,914,585**	$ 575,177,776
Gearing ratio	**1%**	10%

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.

28 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. There were no options granted, exercised or cancelled in accordance with the terms of the Scheme during both current and prior year and the Scheme expired on 22 August 2010.

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

29 Reserves

THE COMPANY

	Contributed surplus	Share premium	Retained profits	Total
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
At 1 July 2009	$ 199,229,696	$ 31,811,160	$ 90,629,104	$ 321,669,960
Loss for the year	–	–	(8,749,435)	(8,749,435)
Dividends paid				
– 2009, final	–	–	(22,737,567)	(22,737,567)
– 2010, interim	–	–	(10,719,139)	(10,719,139)
At 30 June 2010	$ 199,229,696	$ 31,811,160	$ 48,422,963	$ 279,463,819

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

Share premium

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

Special reserve

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

Capital reserve on consolidation

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

Exchange reserve

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

Revaluation reserve

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 2010 (Expressed in Hong Kong dollars)

29 Reserves (Continued)

Retained profits

	Group		Company	
	2010	2009	**2010**	2009
2009 proposed final dividend	**$ –**	$ 22,737,567	**$ –**	$ 22,737,567
Others	**86,163,500**	86,388,213	**48,422,963**	67,891,537
	$ 86,163,500	$ 109,125,780	**$ 48,422,963**	$ 90,629,104

Contribution surplus

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

30 Contingent liabilities

	Company	
	2010	2009
Guarantees for banking facilities to subsidiaries and jointly controlled entities	**$ 238,233,726**	$ 293,969,697
Other guarantees to a subsidiary	**13,000,000**	13,000,000
Total	**$ 251,233,726**	$ 306,969,697

31 Commitments

(a) CAPITAL COMMITMENTS

	Group	
	2010	2009
Contracted but not provided for – equipment	**$ 1,531,820**	$ 915,500

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

31 Commitments (Continued)

(b) COMMITMENTS UNDER OPERATING LEASES AS LESSEE

As at 30 June 2010 and 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2010	2009
Not later than 1 year	**$ 10,492,236**	$ 8,984,052
Later than 1 year and not later than 5 years	**10,492,236**	16,278,592
	$ 20,984,472	$ 25,262,644

Operating leases relate to land and buildings with lease terms between 1 to 2 years. The Group does not have an option to purchase the leased assets at the expiry of the leased period.

(c) OTHER COMMITMENTS

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

32 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 9(a), is as follows:

	2010	2009
Fees	**$ 2,200,000**	$ 2,200,000
Salaries, commissions and other allowance	**9,527,202**	9,407,923
Bonuses	**2,387,750**	–
Retirement scheme contributions	**120,000**	240,000
	$ 14,234,952	$ 11,847,923

Total remuneration is included in "staff costs" (see note 6(b)).

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

32 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	**2010**	2009
Brokerage commission earned on securities, options, futures and commodities dealing	*(a)*		
– fellow subsidiaries		**$ 10,075**	$ 18,033
– associates		**23,209**	46,892
– non-controlling interest of a non-wholly owned subsidiary		**3,495,368**	1,988,065
– Group's directors and their associates		**501,483**	400,588
Common office expenses recharged – an associate	*(b)*	**121,180**	328,100
Consultancy and management fees received	*(c)*		
– a fellow subsidiary		**780,000**	780,000
– an associate		**103,360**	1,093,917
– jointly controlled entities		**154,000**	357,590
Secretarial fee earned	*(d)*		
– fellow subsidiaries		**162,930**	100,180
– associates		**16,320**	27,320
– jointly controlled entities		**27,410**	46,140
– an associated company of a Group's director		**6,630**	6,630
Interest income – jointly controlled entities	*(e)*	**907,146**	1,502,050

Notes:

(a) Commission rates are set at the same level as those normally offered to third party clients or the applicable staff rate if the clients are directors or employees of the Group.

(b) The allocation of office overheads and rental expenses is primarily based on the percentage of floor area occupied by each company.

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

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

(e) Interest rates are set at the same level as those normally offered to third party clients.

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

33 Particulars of significant subsidiaries

The following is a list of the significant subsidiaries as at 30 June 2010:

Name	Place of incorporation/ operations	Issued and fully paid share capital	Principal activities	% of ordinary shares held by the Company			
				Directly		Indirectly	
				2010	2009	**2010**	2009
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%	**–**	–
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 services	**–**	–	**100%**	100%

For the year ended 30 June 2010 (Expressed in Hong Kong dollars)

33 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		Indirectly	
				2010	2009	**2010**	2009
Kingsway SBF Investment Management Company Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$3,100	Provision of investment advisory services	**–**	–	**51%**	51%
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%	**–**	–

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.

34 Financial instruments (Continued)

(a) CREDIT RISK (CONTINUED)

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 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 30, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of corporate guarantee at the end of the reporting period is disclosed in note 30.

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 20.

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 2010 (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 maturities analysis at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	Group					
	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 2010						
Accounts and other payables	**$ 278,590,079**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 278,590,079**
Bank loans	**72,444**	**144,889**	**652,000**	**3,367,091**	**117,102**	**4,353,526**
Finance lease obligations	**56,300**	**112,600**	**506,700**	**56,300**	**–**	**731,900**
	$ 278,718,823	**$ 257,489**	**$ 1,158,700**	**$ 3,423,391**	**$ 117,102**	**$ 283,675,505**
As 30 June 2009						
Accounts and other payables	$ 104,441,426	$ –	$ –	$ –	$ –	$ 104,441,426
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
	$ 154,578,801	$ 257,489	$ 1,158,700	$ 4,209,231	$ 873,217	$ 161,077,438

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 sufficient reserves of cash is maintained to satisfy its contractual and foreseeable obligations as they fall due. The financial guarantee contracts in note 30 represent the maximum amounts that could be required to be paid on demand if the guarantees were called upon in entirely.

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.

For sensitivity analysis purpose, it is assumed that the market price of the Tracker Fund of Hong Kong increased/decreased in line with the movement of the Hang Seng Index. The risk exposure was quantified by comparing the Group's portfolio beta to the beta of Tracker Fund of Hong Kong. Assuming a 10% upward/downward movement in the Hang Seng Index with all other variables held constant at the end of the reporting period, the Group's profit before tax would have increased/decreased by an estimated $38,603,000 (2009: the Group's loss before tax would have decreased/increased by an estimated $21,507,000).

(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 end of the reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

34 Financial instruments (Continued)

(d) FOREIGN EXCHANGE RISK (CONTINUED)

	USD	RMB	TWD	Others
At 30 June 2010				
Other financial assets	$ 390,763	$ 274,546	$ –	$ –
Accounts, loans and other receivables	105,043,086	59,172	4,914,447	28,661
Cash and cash equivalents	1,391,270	383,224	–	380,442
Accounts and other payables	(104,594,621)	(304,284)	(4,902,604)	(41,086)
Bank loans	(3,073,494)	–	–	–
Net exposure arising from recognised assets and liabilities	$ (842,996)	$ 412,658	$ 11,843	$ 368,017

	USD	RMB	TWD	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	119,891	12,151
Cash and cash equivalents	3,910,162	838,940	–	171,200
Accounts and other payables	(13,938,976)	(513,378)	–	–
Bank loans	(3,658,694)	–	–	–
Net exposure arising from recognised assets and liabilities	$ (12,965,242)	$ 648,087	$ 119,891	$ 183,351

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. The management considers the foreign-exchange risk was insignificant at years ended 30 June 2010 and 2009.

(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 50 basis points (2009: 100 basis points) higher/lower and all other variables held constant at the end of the reporting period, the Group's profit before tax would have an estimated increase/decrease of $1,111,000 (2009: the Group's loss before tax would have an estimated decrease/increase of $1,374,000).

34 Financial instruments (Continued)

(e) INTEREST RATE RISK (CONTINUED)

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 50 basis points (2009: 100 basis points) higher/lower and all other variables held constant at the end of the reporting period, the Company's loss before tax would have an estimated decrease/increase of $404,000 (2009: $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 2010 and 2009.

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2010, the only financial instruments of the Group carried at fair value were financial assets at fair value through profit or loss of $314,977,473 listed on the Stock Exchange of Hong Kong (note 19). The financial instruments fall into Level 1 of the fair value hierarchy described above.

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 OF 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 end of the reporting period. 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 TAX

The Group's tax losses are mainly from a subsidiary engaging in proprietary trading activities. At the end of each reporting period 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.

37 Parent and ultimate holding company

At 30 June 2010, 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.

Five Years Financial Summary

(Expressed in Hong Kong dollars)

	2006 '000	2007 '000	2008 '000	2009 '000	**2010** **'000**
Results					
Turnover	$ 152,278	$ 412,077	$ 32,254	$ 67,818	**$ 131,099**
Profit/(loss) attributable to owners of the Company	$ 19,338	$ 207,537	$ (107,512)	$ (61,240)	**$ 10,494**
Basic earnings/(loss) per share (cents)	0.6	6.4	(3.3)	(1.9)	**0.3**
Dividends payable to owners of the Company attributable to the year	$ 32,482	$ 33,457	$ 34,106	$ 33,457	**$ 33,457**
Assets and liabilities					
Total assets	$ 933,242	$ 2,070,524	$ 913,730	$ 752,414	**$ 857,932**
Total liabilities	$ (246,526)	$(1,178,534)	$ (214,585)	$ (177,056)	**$ (302,858)**
Net assets attributable to owners of the Company	$ 631,586	$ 808,491	$ 671,354	$ 575,178	**$ 554,915**

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
Room 801, Building A, Beijing Fortune Plaza,
No. 7 Dongsanhuan Zhong Road, Chaoyang District,
Beijing, 100020, PRC

– Shanghai Kingsway Financial Consultancy Limited
Room 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

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:
K&L Gates
44/F Edinburgh Tower, The Landmark,
15 Queen's Road 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 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

KingswayGroup

SW Kingsway Capital Holdings Limited

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