SUNWAH KINGSWAY
新華滙富

Sunwah Kingsway Capital Holdings Limited
新 華 滙 富 金 融 控 股 有 限 公 司

Incorporated in Bermuda with limited liability
Stock Code: 00188

5 years+
商界展關懷
caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Blossoming performance in years ahead

Annual Report 2015

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			Properties Investment

With 25 years in the capital markets, Sunwah Kingsway has expanded its reach into global securities markets including Hong Kong, China, North America, Europe and the rest of Asia. We have an extensive network of institutional investors and a successful track record of delivering a right mix of financial services to our clients globally.

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

CONTENTS

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

We believe that successful companies are built on these core values, the same ones that align and guide our thinking and actions in every area of our business. Our established core values have served our Group well and will continue to guide our growth into the future.

Chief Executive's Statement

Dear Friends and Shareholders

On behalf of the Board of Directors, I present to you the annual report of Sunwah Kingsway Capital Holdings Limited for the financial year ended 30 June 2015 ("fiscal 2015").

Capital base is important in the financial services industry. Following the completion of the open offer in fiscal 2014, the Company has completed a top up placing in fiscal 2015. With the enlarged capital, the Group will explore opportunities in different areas to bring better returns to the stakeholders.

The launch of the Shanghai Hong Kong Stock Connect program in late calendar 2014 and the associated bull run in the PRC stock markets brought the Hong Kong market to post-financial tsunami high in third quarter of fiscal 2015. However, the sentiments gradually changed with increased concerns on the PRC economy, especially on the worsening credit concerns. We have completed the sponsorship for the listing of two companies and also helped a number of listed companies raised additional capital through placing transactions. There were also increases in business volume of the brokerage business, though the increase was below the general market due to fierce competition from the PRC controlled brokerage houses operating in Hong Kong. Our boutique fund has outperformed the general market but we still need to spend more effort to grow the fund size.

The proprietary investment team did not perform as well as in the last fiscal year. The market focused a lot on big cap stocks and our performance was affected by certain small cap companies. We have emphasised the importance of diversification of our proprietary investment portfolio to improve our returns. During the year, we have invested in a private investment fund and also purchased a property for rental purpose, with an aim to provide a more stable return from our investment portfolio in the future.

The surprise devaluation of the RMB by People's Bank of China in August brought the market volatility to recent years high. The market is still debating heatedly whether the United States Federal Reserve will increase the interest rate in any of its remaining meetings in 2015, first of which will be held in mid September. Market volume in Hong Kong has now returned to the level before the launch of the Shanghai Hong Kong Stock Connect Program. However, the PRC authorities have introduced a number of measures to calm the market. If the market volatilities come down after digesting all the latest news, there is a good chance that the volume may improve going forward, which is vital for the financial services industry. Management will continue to steer the Group with caution and aim to bring better returns to our stakeholders.

The Board has played an important role in formulating the strategic direction for the Group. The financial services industry is a capital intensive one and has relied more and more on technology in recent years. Our staff number continued to decline but we are also proud of the high number of long serving employees who grew and developed with the Group. To further increase the capital base of the company is going to be an important target of the Company, which is critical for maintaining our competitiveness in the industry.

Choi Koon Ming Michael
Chief Executive Officer

Management Discussion and Analysis

THE MARKET

During the first nine months of our fiscal year, the market was excited by the Shanghai Hong Kong Stock Connect program and the bull run in the PRC markets. However, sentiments gradually changed in our last fiscal quarter when there were more and more concerns that China might have a hard landing in the economy. The market volatility further increased after our financial year end and the trend continued when the People's Bank of China devalued the Renminbi by over 2% in mid August. Investors are now concerned that the slowdown in economic growth in PRC will have serious spill over effects on other major economies. Markets are now focused on the Federal Open Market Committee meeting to be held in mid September to find out whether the United States will kick start the increase in interest rate cycle. Volatility is likely to remain high in the remainder of the year.

The Hang Seng Index closed at 26,250 at the end of June 2015, compared with 23,191 at the end of June 2014 and 23,605 at the end of December 2014. The average monthly turnover on the Main Board and GEM Board during the year ended 30 June 2015 ("FY2015") surged to HK$2,059 billion, as compared to HK$1,230 billion for FY2014. Funds raised from IPOs on the Main Board and GEM Board increased from HK$208 billion for FY2014 to HK$277 billion for FY2015.

FINANCIAL HIGHLIGHTS

The Group recorded a profit of HK$12 million for FY2015, as compared to a profit of HK$32 million for FY2014. The profit attributable to owners of the Company was HK$9 million for FY2015, as compared to a profit of HK$32 million for FY2014. After taking into account the other comprehensive income for the year, the total comprehensive income attributable to owners of the Company was HK$35 million, as compared to HK$45 million for FY2014. The revaluation surplus recongised for the land and buildings held for own use increased by HK$8 million from HK$16 million for FY2014 to HK$24 million for FY2015. Commission and fee income from our financial intermediary business was HK$93 million for FY2015, about the same as compared to HK$92 million for FY2014. The Group recorded a net gain on the disposal of financial assets/ liabilities and remeasurement to fair value of HK$17 million, as compared to HK$42 million for FY2014.

General and administrative expenses decreased by HK$11 million to HK$107 million for FY2015, as compared to HK$118 million for FY2014. The impairment loss for account receivables due from clients was insignificant in FY2015, as compared to HK$9 million for FY2014.

The increase in high net worth clients improved the performance of our retail sales team and the commission paid to the team increased by HK$3 million when compared to FY2014. No underwriting and placing commission was paid to third party in FY2015, as compared to HK$5 million paid in FY2014. As a result, the total commission paid for FY2015 decreased by HK$3 million to HK$10 million in FY2015.

As explained in the notes to the financial statements, the Group has deposited HK$40 million into an escrow account of a law firm but the law firm failed to return the deposit to the Group. The Group's legal counsel is of the opinion that the Group has good prospects of succeeding on its claim against the law firm and that it is very likely that any judgement obtained would be satisfied. However, there might be a reduction in the ultimate recovery of the Escrow Funds by the amount of the service fees paid to the Group and legal fees and expenses for the lawsuit which might not be entirely recovered.

BROKERAGE

Total revenue of the division was HK$59 million for FY2015, compared with HK$52 million for FY2014. Following the launch of Shanghai Hong Kong Stock Connect program in November 2014 and the planned launch of Shenzhen Hong Kong Stock Connect program in 2015, the average daily market turnover increased by 68% in FY2015 when compared with FY2014. However, the division still faces strong competition from banks and other financial service providers, especially some large PRC financial institutions entering into the HK market through merger and acquisition. The brokerage commission income increased by 10% to HK$44 million in FY2015. Interest income from margin, IPO and loan financing increased by 32% to HK$9 million in FY2015 as a result of the increase in loan portfolio. The Group continued to introduce new trading products to its clients and streamline its operation to improve the performance.

CORPORATE FINANCE AND CAPITAL MARKETS

Total revenue of the division was HK$54 million for FY2015, compared with HK$48 million for FY2014. The division recorded a net profit of HK$11 million for FY2015, compared with a net profit of HK$2 million for FY2014. The initial public offering transactions remained active in FY2015. The division completed sponsorship for the listing of two companies in FY2015. They were Deson Construction International Holdings Limited and Jete Power Holdings Limited. The demand of fundraising of listed small cap remained vibrant in FY2015. The division completed more than ten placing transactions and the placing commission doubled to HK$25 million in FY2015. Other than IPO related services, the corporate finance team acted as financial advisor for a variety of transactions for companies listed in Hong Kong and was retained as compliance advisor to a number of companies newly listed in Hong Kong. The advisory fee slightly increased by HK$2 million to HK$20 million in FY2015.

ASSET MANAGEMENT

Total revenue of the division was HK$3 million for FY2015, compared with HK$1 million for FY2014. The performance of the investment fund managed by the division was outstanding and the net asset value per share increased by 16% in FY2015. As a result, the performance of the division improved and recorded a net profit in FY2015, as compared to a net loss in FY2014.

INVESTMENT IN SECURITIES

Total revenue of the division was HK$6 million for FY2015, compared with HK$5 million FY2014. After including net gain/loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value, total income was HK$12 million for FY2015, compared with HK$47 million for FY2014. The Hang Seng Index increased by 13% in FY2015. However, several small cap shares in our investment portfolio underperformed and affected the overall performance of the division. The rising interest rate outlook in the United States affected the performance of debt securities. The interest income net of trading loss generated from debt securities was HK$1 million in FY2015, as compared to trading profit and interest income of HK$4 million in FY2014.

STRUCTURED INVESTMENT

Total revenue of the division was HK$1 million for FY2015, about the same as FY2014. In FY2014, the Group acquired the majority interest of an investment manager of the investment fund invested by the Group. The pre-acquisition unrealised gain of HK$10 million recorded for previous years was recognised as net gain on disposal of available for sales investment in FY2014. The performance of the investment fund outperformed the Hang Seng Index and recognised net gain/loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value of HK$12 million in FY2015.

The Group purchased an investment property and a car park located at Kwun Tong in FY2015. The Group is liaising with the potential tenant and it is expected that the rental agreement will be finalised in September 2015. The Group recognised a revaluation gain of HK$1 million for the investment property in FY2015.

The Group invested in a private equity fund in April 2015 and recognised fair value gain of HK$1 million in other comprehensive income in FY2015.

CAPITAL STRUCTURE

In May 2015, the Company completed the placement of 630,000,000 new shares with net proceeds amounting to HK$208 million. Approximately HK$31 million was used to finance the acquisition of an investment fund. Approximately HK$64 million was used to purchase investment properties. The remainder of approximately HK$113 million is intended to finance future investment opportunities to be identified by the Company and as general working capital of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at end of June 2015 were HK$1,324 million, of which approximately 61% were current in nature. Net current assets were HK$462 million, accounting for approximately 49% of the net assets of the Group as at end of June 2015. The Group had a strong cash position and had cash and cash equivalents of HK$370 million as at end of June 2015 after the completion of share placing in May 2015. The cash and cash equivalents were mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total borrowing of HK$95 million at the end of June 2015 represented a secured bank loan of HK$60 million for partially financing the acquisition of the Hong Kong office property and a short-term secured bank loan of HK$35 million for general working capital. The short-term bank loan of HK$35 million was repaid in July 2015 and the balance of HK$60 million is repayable within one year. The bank loans were denominated in Hong Kong dollars and charged at floating interest rate.

The Group's gearing ratio, calculated as a percentage of total borrowings over shareholder's equity, was approximately 10% at the end of June 2015. The office property with carrying value of HK$293 million was pledged as securities against bank loans granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's assets are mainly in Hong Kong and the PRC and most of the monetary assets and liabilities of the Group are denominated in HK$. As part of our investment monitoring, financial assets denominated in foreign currencies, including equity and debt investments, are monitored on a daily basis together with the changes in market value of these investments. Hedging instruments may be used as part of the overall investment strategy if deemed necessary by the investment managers. The Group purchased properties in the PRC for its own use and debt securities denominated in RMB for proprietary trading. Taking into account all relevant macroeconomic factors and the size of assets held, 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 material adverse changes. The Group does not have other material exposure to fluctuation in exchange rates and no hedging instruments are used.

EMPLOYMENT, TRAINING AND DEVELOPMENT POLICIES

As at 30 June 2015, the number of full time employees of the Group was 95 (2014: 112). Remunerations and bonus are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal. It also takes into consideration the results of the division to which the employee belongs and the Group as a whole. The Group provides a full induction program and in-house training courses to all staff – particularly professionals registered with relevant regulatory bodies who must meet their mandatory continued professional training requirements. A share option scheme is available to directors, employees and consultants of the Group. Details of the scheme are set out in the section "Share options" of the Report of the Directors.

CORPORATE GOVERNANCE

The Group is committed to conducting our business ethically and in a way that is transparent, accountable to shareholders and the community, and under the governance of an effective board. As a listed company mainly engaged in regulated businesses, we believe our corporate governance practices are appropriately rigorous and of high standard. The Group reviews its practices on a regular basis to ensure that any new developments in the industry best practices are reviewed and considered by the Group.

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

COMMUNITY

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

Social Responsibility Report

While acknowledging our responsibility to our stakeholders, we encourage our staff to recognise those responsibilities and behave in a responsible manner toward the society in which we function.

Employees

We are committed to creating a workplace that is harmonious and enriching. We emphasise respect and encourage communication within the Company. We are operating in a knowledge-based society and we hope our employees grow with the Company. Career advancement is one of our major concerns for our employees. We offer job diversification and inter-department transfer to employees in order to enhance their work knowledge and demonstrate their various potential.

We promote communication across departments through various channels. Colleagues met each other in regular meetings as well as various corporate activities organised by our Human Resources Department throughout the year. Annual dinner and quarterly tea parties were times for relaxation and enjoyment with colleagues across departments. In December 2014, we held a company charitable walk and encouraged our staff and their families to join the walk as well as raise fund for three various charitable organizations which are Senior Citizen Home Safety Association (Safety Alarm Services), Little Life Warrior Society and Mission To New Arrivals. The Company matched each dollar colleagues raised for these three charitable organisations. The supporting targets of these organisations are elders, children with severe blood diseases/cancer and low-income families respectively.

As the Group's main business consists of activities licensed by the SFC, the Group provides free professional training for its SFC licensed staff. The educational seminars not only assist them in fulfilling their Continuing Professional Training requirements and to expand their knowledge and understanding of different investment products as well as the industry, but also facilitate our people with up-to-date regulations and rules. We aim to maintain the professional standard of our staff in respect of market knowledge as well as professional ethics.

Hong Kong News Awards

For the first time, the Company was proud to be the title sponsor of the Hong Kong News Awards 2014 organised by The Newspaper Society of Hong Kong (the "Society"). The awards recognized the outstanding achievement of journalists in Hong Kong, including awards for reporting, writing, photography and design. The mission of the Society is to foster cooperation within the Hong Kong newspaper industry and promote the progress and welfare of members newspaper professionals. The Society is actively involved in reflecting the industry's view on legislation affecting the media.

CENTRAL Rat Race

In October 2014, we participated the CENTRAL Rat Race. Eight colleagues participated in the race that took place in Central, Hong Kong. The aims of the event is to raise funds for MINDSET, a registered charitable organisation that supports mental health-ralated organisations and projects in Hong Kong and mainland China, and to reinforce Hong Kong and CENTRAL as Aisa's centre for business.

World Vision-Skip-A-Meal

One of the major mission of World Vision Hong Kong is to fight against worldwide hunger and poverty. We share the passion with World Vision Hong Kong and this year we participated again in the "Skip-A-Meal" program organised by World Vision Hong Kong. We encouraged our staff to participate in the program by skipping lunch and donating the cost of that meal to World Vision. This is the nineth year we participate in this event.

Corporate Governance Report

Code on Corporate Governance Practices

The Company believes that strong corporate governance benefits all stakeholders as it helps maximising the Company's value as well as stakeholders' interests.

The Company promotes the importance of corporate governance through various policies and practices adopted at the Board level and throughout the Company in daily operations. We aim at maintaining high standard corporate governance throughout all levels in the Company. This report summarises how the principles of the Corporate Governance Code and Corporate Governance Report (the "CG Code") have been applied in respect of the year ended 30 June 2015.

The Company has applied the principles and has complied with the code provisions of CG Code as set out in Appendix 14 of the Rules Governing the Listing Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 30 June 2015 except for the deviation which is summarised below:

CG CODE PROVISION A.4

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election and, pursuant to code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Non-executive Directors of the Company are not all appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting (AGM) of the Company. Pursuant to the Bye-laws of the Company, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Board considers that the non-executive directors appointed without a specific term will not impair the quality of corporate governance of the Group as required by the principles set out in CG Code A.4.

Business Model and Strategy

The Group is committed to its core values of integrity, teamwork, respect, responsibility and the pursuit of excellence. We believe that successful companies are built on these core values, the same ones that align and guide our thinking and action in every area of our business. We strive to become the best local brokerage and capital markets service provider concentrating on the mid to small cap market. Our focus is on customer relationship and services and we seek to capitalise on growing opportunities resulting from China's development and emergence as one of the world's major economies. A discussion and analysis of the Group's performance for this fiscal year are set out on page 3 under Management Discussion and Analysis.

Securities Transactions by Directors

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

The Board of Directors

BOARD COMPOSITION

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

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

Dr Jonathan Koon Shum Choi, the chairman, and Mr Michael Koon Ming Choi, the Chief Executive Officer and Executive Director, are brothers. Ms Janice Wing Kum Kwan, a non-Executive Director is the spouse of Dr Jonathan Koon Shum Choi and sister-in-law of Mr Michael Koon Ming Choi.

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

BOARD RESPONSIBILITY

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

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

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

BOARD MEETINGS

The Board meets at least four times a year and additional meetings are convened as and when the Board considers necessary. During the year, eight board meetings were held and the principal businesses transacted included approving interim and final results and reports, assessing business performance and implementation and considering major, connected and notifiable transactions. The attendance record of each director at the meetings of the Board, AGM, Audit Committee, Compensation Committee, Nomination Committee and Corporate Governance Committee of the Company during the year ended 30 June 2015 are set out as follows:

	Meetings attended/eligible to attend					
			Committees			
Board Directors	**Board**	**AGM**	**Audit**	**Compensation**	**Nomination**	**Corporate Governance**
Chairman						
Jonathan Koon Shum Choi	7/8	1/1	N/A	1/1	1/1	N/A
Executive Directors						
Michael Koon Ming Choi	8/8	1/1	N/A	N/A	N/A	N/A
Non-executive Directors						
Janice Wing Kum Kwan	7/8	1/1	N/A	N/A	N/A	1/1
Lee G. Lam *(Note 3)*	7/8	1/1	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Robert Tsai To Sze *(Note 1)*	8/8	1/1	2/2	0/1	1/1	N/A
Stanley Kam Chuen Ko *(Note 2)*	6/8	1/1	2/2	1/1	1/1	1/1
Elizabeth Law	8/8	1/1	2/2	1/1	1/1	N/A
Total number of meetings held	8	1	2	1	1	1

Notes:

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

BOARD DIVERSITY POLICY

The Company has adopted the Board Diversity Policy which aims to set out the approach to achieve diversity on the Company's board of directors with a view that increasing diversity at the Board level is an essential element in supporting the attainment of the Company's strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background or professional experience. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy. The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Company has complied with Rules 3.10(1) and (2) and Rule 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, one independent non-executive directors of which has the appropriate professional qualifications or accounting or related finance management expertise and the independent non-executive directors represent at least one-third of the Board. Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors have met independence guidelines set out in Rule 3.13 of the Listing Rules. The Nomination Committee reviews and assesses the independence of the three Independent Non-Executive Directors of the Company on an annual basis. Particular consideration were applied to Mr Robert Tsai To Sze who has served the Board for over 14 years and Mr Stanley Kam Chuen Ko who has served the Board for over 10 years. The Nomination Committee determined the Independent Non-Executive Directors, including Mr Sze and Mr Ko, were qualified and met the requirements for independence as set out in the Listing Rules.

TRAINING AND DEVELOPMENT

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

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

All Directors have participated in continuous professional development in the year under review to develop their knowledge and skills so that their contribution to the Board will be informed and relevant. The Company has received confirmation from all the Directors of their respective training record for the year ended 30 June 2015.

Participation in continuous professional development activities

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

Change of Directors' Information

The changes in the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Dr Lee G Lam, Non-Executive Director:

During the year, Dr Lam resigned as Independent Non-Executive Director of Ruifeng Petroleum Chemical Holdings Limited and Mingyuan Medicare Development Company Limited.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

RE-ELECTION OF DIRECTORS

Pursuant to the Bye-laws of the Company, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

In accordance with clauses 87(1) and (2) of the Company's Bye-Laws, Ms Elizabeth Law, Mr Michael Koon Ming Choi and Mr Stanley Kam Chuen Ko will retire at the forthcoming AGM and Ms Elizabeth Law and Mr Michael Koon Ming Choi, being eligible, offer themselves for re-election. Mr Stanley Kam Chuen Ko has indicated that although eligible, he will not stand for re-election at the upcoming 2015 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. During the year under review, it was comprised of three independent non-executive directors representing at least one-third of the Board in compliance with Rule 3.10A of the Listing Rules. The Audit Committee was chaired by an independent non-executive director, and at least one of the independent non-executive directors had the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, all in compliance with Rule 3.21 of the Listing Rules.

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

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

During the year ended 30 June 2015, two committee meetings were held, one to consider the annual results of the Group for the financial year ended 30 June 2014, including the discussion of the Company's connected transactions and the discussion of the Company's internal controls report and one to consider the interim results of the Group for the six months ended 31 December 2014. The attendance record of each member during the year is set out in the section headed "Board Meetings" of this report.

(2) COMPENSATION COMMITTEE

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

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

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

During the year ended 30 June 2015, there was one committee meeting held to review the compensation packages of the executive directors and senior management. The Committee determined, with delegated responsibility, the compensation packages of individual executive directors and senior management. The attendance record of each member is set out in the section headed "Board Meetings" of this report. Details of the directors' remuneration are set in Note 10 to the consolidated financial statement. In addition, pursuant to the code provision B.1.5 of the CG Code, details of the annual remuneration of the members of senior management by band for the year ended 30 June 2015 is set out in Note 10 to the consolidated financial statements.

(3) NOMINATION COMMITTEE

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

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

The Nomination Committee had reviewed the Board's composition during the financial year under review and no major change was recommended.

The Nomination Committee should meet at least once a year and when the need arises.

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

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

The Nomination Committee held one meeting during the year under review to review the structure, size, composition and diversity of the Board, make recommendations to the Board regarding the re-appointment of directors and to review and assess the independence of the independent non-executive directors. In considering diversity, it was noted that the Board composition was suitably diverse in terms of age, gender, education and business and professional experience. The attendance record of each member is set out in the section headed "Board Meetings" of this report.

(4) CORPORATE GOVERNANCE COMMITTEE

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

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

During the year ended 30 June 2015, the Corporate Governance Committee held one meeting to review the Company's corporate governance practices and to review the internal controls report. The attendance record of each member is set out in the section headed "Board Meetings" of this report.

OTHER COMMITTEES

Committees for Risk Management Control

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

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

In order to monitor specific risks, an Investment Committee, a Risk Management 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, introducing regular reporting to senior management and establishing and reviewing risk management polices and procedures. 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 Chief Executive Officer ("CEO"); (ii) reviews and approves the proposed proprietary investments which are above the investment limits set on the CEO; and (iii) reviews the investment performance of the various investment decisions made by the CEO.

The committee consists of the CEO and the Chief Financial Officer ("CFO"). The committee meets as required.

(b) Risk Management Committee

In order to monitor the Group's proprietary trading activities, the Board has established a Risk Management Committee (previously named the 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. It is also responsible for establishing and reviewing risk management polices and procedures.

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

(c) Credit Committee

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

The committee currently consists of, among others, two SFO Responsible Officers, the CFO, the CAO, the Head of Operations and the Financial Controller. The committee usually meets once a month.

(d) Finance Committee

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

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

Company Secretary

The Company Secretary is Mr Vincent Wai Shun Lai and he has been delegated the responsibility of ensuring the Board works effectively and performs its responsibilities, drawing up the agenda for each board and general meeting and facilitating communication between Board members, Shareholders and management. The biographical details of the Company Secretary, including his qualifications, are set out in the "Biographical Details of Directors and Senior Management" section on page 18. During the financial year, the Company Secretary has undertaken over 15 hours of professional training to update his professional knowledge to assist him in the performance of his duties.

Accountability and Audit

FINANCIAL REPORTING

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

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

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

INTERNAL CONTROLS

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

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

The Company's internal audit function is performed by the Legal and Compliance Department ("L&C"), which reports directly to the Chief Executive Officer and the Chairman and has direct access to the Chairman of the Audit Committee. L&C has unrestricted access to review all aspects of the Group's business activities. 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 Risk Management Committee to manage and monitor the Group's investments and financial commitments. Senior management, including the CEO, the CFO and the CAO meet on a monthly basis to review detailed financial accounts of each material business division. Monthly financial accounts are sent to the Board of Directors for their review.

CORPORATE GOVERNANCE REPORT

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

EXTERNAL AUDITORS

During the financial year and up to the date of this report, fees for auditing services and non-auditing services (including interim review and reports on on-going connected transactions and open offer) provided by the existing external auditor, Deloitte Touche Tohmatsu, for the year ended 30 June 2015 are HK$1,450,000 and HK$459,000 respectively.

Risk Management

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

OPERATIONAL RISK AND INTEREST RATE RISK

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

MARKET RISK

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

CREDIT RISK

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

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

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

FOREIGN EXCHANGE RISK

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

IMPACT OF NEW LEGISLATION

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

POLICIES AND PROCEDURES

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

Communication with Shareholders and Investor Relations

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

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

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. Poll voting was adopted for all decisions to be made at all general meetings, in compliance with the 2009 amendments to the Listing Rules.

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

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

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

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

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

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

SHAREHOLDERS' RIGHT TO PROPOSE RESOLUTIONS AT GENERAL MEETING

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

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

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

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

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

(d) not less than one hundred Shareholders.

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

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

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

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

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

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

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

Communication with the Board of Directors

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

Biographical Details of Directors and Senior Management

CHAIRMAN

Dr Jonathan Koon Shum Choi, GBS, BBS, JP, aged 58, is the Chairman of the Group. He has been responsible for the overall strategic planning of the Group since 1995. Dr Choi is also the Chairman of Sunwah International Limited, the parent company of the Company and a substantial shareholder of the Company pursuant to Part XV of the Securities and Futures Ordinance ("SFO"). Concurrently Dr Choi is the Chairman of the Sunwah Group.

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

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

EXECUTIVE DIRECTOR

Mr Michael Koon Ming Choi, aged 47, has been the Chief Executive Officer of the Company since 2010 and an Executive Director since 2000. He is also director of several subsidiaries of the Group. Mr Choi holds a Bachelor of Arts degree from the University of British Columbia. He joined the Group in 1995. Mr Choi has over 20 years of experience in the financing activities of corporate and property mortgage, real estate development and property investment. Mr Choi is a director of Sunwah International Limited, the parent company of the Company and a substantial shareholder of the Company pursuant to Part XV of the SFO.

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

NON-EXECUTIVE DIRECTOR

Ms Janice Wing Kum Kwan, aged 58, was appointed as Non-Executive Director of the Company with effect from 1 February 2011. Ms Kwan holds a bachelor degree of Law and Postgraduate Certificate in Laws awarded by the University of Hong Kong, admitted as a solicitor in Hong Kong in 1982 and has been in private practice since then. She was also qualified as a solicitor in England and Wales, as an advocate in Singapore and as a barrister & solicitor in Victoria, Australia. She has been a China Attesting Officer appointed by the PRC government since 1993.

Ms Kwan headed the legal department of an international bank and a listed company respectively during the period from 1986 to1990. Currently she is a consultant to Angela Ho & Associate, specialized and experienced in intellectual property protection, transactions and litigation and has extensive experience in commercial, banking and conveyancing as well.

Ms Kwan was the President of the Hong Kong Federation of Women Lawyers and is a Council member of the Federation till now. She is also a member of the Tianjin Committee of the Chinese People's Political Consultative Conference. She has been appointed by the HKSAR Government to sit on various boards and panels including Committee on the Basic Law Promotion Steering Committee, Promotion of Civic Education, Board of Review (Inland Revenue Ordinance), Protection of Wages on Insolvency Fund Board, Employee's Compensation Insurance Levies Management Board and Committee on Employment Services of the Labour Department, and was awarded Medal of Honour by the government in 2009.

She is the spouse of Dr Jonathan Koon Shum Choi and sister-in-law of Mr Michael Koon Ming Choi, and occupies the pro bono position of Advisor and Legal Director in Sunwah Group, of which Dr Choi is the Chairman.

Dr Lee G. Lam, aged 56, was appointed as a Non-Executive Director of the Company on 1 February 2007. He holds a Bachelor of Science Degree in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration Degree, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the United Kingdom, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in law from the University of Wolverhampton in the United Kingdom, a Master of Public Administration and a Doctor of Philosophy Degree from the University of Hong Kong. A former member of the Hong Kong Bar, Dr Lam is a Solicitor of the High Court of Hong Kong and an Honorary Fellow of CPA Australia. Dr Lam has over 30 years of international experience in general management, management consulting, corporate governance, investment banking, direct investment and fund management across the telecommunications, media and technology (TMT), consumer/healthcare, infrastructure/real estates, resources/energy and financial services sectors, and he also serves on the board of several publicly-listed companies and investment funds in the Asia Pacific region. Dr Lam is Chairman-Indochina, Myanmar and Thailand, and Senior Adviser – Asia, of Macquarie Infrastructure and Real Assets (an international infrastructure and real estates investment fund management firm from Australia), and formerly Chairman-Indochina, Myanmar and Thailand, Chairman-Hong Kong and Senior Adviser-Asia, of Macquarie Capital (an international investment bank from Australia) – both are members of Macquarie Group of Companies with which he has been since early 2007. He is also an independent director of Sunwah International Limited, the parent company of the Company and a substantial shareholder of the Company pursuant to Part XV of the SFO. Actively participating in community service, Dr Lam has served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, a Member of the Legal Aid Services Council, and a Member of the New Business Committee of the Financial Services Development Council (FSDC). Dr Lam is a Member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference, a Vice Chairman of Liaoning Chinese Overseas Friendship Association, a Member of the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx), a Member of the Hong Kong Institute of Bankers, a Member of the World Presidents' Organization, a Member of the Chief Executives Organization, a Fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Board Member of the Australian Chamber of Commerce in Hong Kong and Macau, a Founding Board Member and the Honorary Treasurer of the Hong Kong – Vietnam Chamber of Commerce, a Member of the Hong Kong-Thailand Business Council, a founding Member of the Hong Kong – Korea Business Council, a Vice President of the Hong Kong Real Property Federation, Chairman of Monte Jade Science and Technology Association of Hong Kong, President of Hong Kong-ASEAN Economic Cooperation Foundation (HKAECF), and a Member of the Court of City University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Robert Tsai To Sze, aged 74, was appointed as an Independent Non-Executive Director in 2000. Mr Sze had worked in Price Waterhouse (now known as PricewaterhouseCoopers) Hong Kong for 25 years where he had been a partner for over 22 years. Mr Sze is a fellow member of The Institute of Chartered Accountants in England & Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is an independent non-executive director of a number of Hong Kong listed companies which are China Travel International Investment Hong Kong Limited, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Hop Hing Group Holdings Limited, Min Xin Holdings Limited and Nanyang Holdings Limited.

Mr Stanley Kam Chuen Ko, aged 69, 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. Mr Ko is the Chairman of LARK International Group Limited and is a Court Member of the Hong Kong Open University.

Ms Elizabeth Law, MH, JP, aged 61, was appointed as an Independent Non-Executive Director in November 2011. Ms Law is the Managing Director of Law & Partners CPA Limited and Proprietor of Stephen Law & Company. She is a Chartered Professional Accountant, Chartered Accountant of Canada, a fellow practising member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England & Wales and a fellow member of CPA Australia. Ms. Law is a member of Chinese People's Political Consultative Conference Guangdong Committee. Ms Law is an independent non-executive director of Sunwah International Limited, the parent company of the Company and a substantial shareholder of the Company pursuant to Part XV of the SFO, and China Vanke Co., Ltd. (which is listed on the Shenzhen Stock Exchange and the Stock Exchange of Hong Kong).

CHIEF FINANCIAL OFFICER

Mr Eric Kwok Keung Chan, aged 52, was appointed as Chief Financial Officer (CFO) in April 2004 and is responsible for overseeing the Group's financial operations. Mr Chan is currently director of several subsidiaries of the Group. Mr Chan is a fellow of the Association of Chartered Certified Accountants (UK) and a member of the Hong Kong Institute of Certified Public Accountants. Mr Chan is also a member of the Hong Kong Securities and Investment Institute and a Certified International Investment Analyst. Mr Chan offers significant assurance and business advisory experience gained from working with the Hong Kong and Boston offices of PricewaterhouseCoopers for 14 years. Mr Chan joined the Group from his responsibilities as CFO and Company Secretary of a Hong Kong listed company with operations in nine countries and annual turnover of over HK$6 billion.

CHIEF ADMINISTRATIVE OFFICER AND COMPANY SECRETARY

Mr Vincent Wai Shun Lai, aged 54, was appointed as the Company Secretary in November 2004. Mr Lai is also the Chief Administrative Officer and a director of several subsidiaries of the Group. Mr Lai is a qualified solicitor of the High Court of the Hong Kong Special Administrative Region and an Attorney at Law of the State of New York, USA. Immediately prior to joining the Company, Mr Lai worked in an international law firm that specializes in corporate finance, where he focused on listing and compliance matters involving various stock exchanges and regulators. Mr Lai holds a Juris Doctor degree from Union University-Albany Law School and a Bachelor of Science degree from the State University of New York at Albany. Mr Lai began his legal career as an Assistant District Attorney in the New York County District Attorney's office.

Report of the Directors

The directors hereby submit their report together with the audited consolidated financial statements of Sunwah Kingsway Capital Holdings Limited for the year ended 30 June 2015.

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 37 to the consolidated financial statements.

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

Results and appropriations

The profit of the Group for the year ended 30 June 2015 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 102.

An interim dividend for the year ended 30 June 2015 of 0.2 HK cent per ordinary share was paid on 14 April 2015. The directors propose, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of 0.3 HK cent per ordinary share for the year.

Five years financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 103 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$323,340 (2014: HK$3,000).

Properties and equipment

Movements in properties and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

Share capital

Details of the Company's share capital are set out in note 32 to the consolidated financial statements. During the year, the Company issued new shares through a share placing transaction, details of which are set out in note 32 to the consolidated financial statements. The directors considered that the placing transaction represented a good opportunity to raise additional capital for the Company while broadening the shareholders and strengthening the capital base of the Company.

Distributable reserves

The Company's reserves available for distribution to shareholders as at 30 June 2015 consisted of contributed surplus of HK$116,675,165 (2014: HK$130,479,080) and retained profits of HK$14,187,883 (2014: HK$18,209,458).

Share options

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

(a) INFORMATION OF THE SHARE OPTION SCHEME

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

(i)	Purpose of the Scheme	:	To provide incentives or rewards to Participants for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group.
(ii)	Participants of the Scheme	:	(a) any full-time or part-time employee of any member of the Group; (b) any consultant or advisor of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any substantial shareholder of the Group; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, to be determined absolutely by the Board.
(iii)	Maximum number of shares available for subscription	:	The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the shares in issue on the date of approval of the Scheme.
(iv)	Total number of shares available for issue under the Scheme	:	As at the date of this report, 324,822,390 shares (representing 6.21% of total issued share capital) are available for issue under the Scheme.
(v)	Maximum entitlement of each participant under the Scheme	:	Not more than 1% of the shares in issue in any 12-month period.
(vi)	Minimum period for which an option must be held before it can be exercised and the exercise period of the option	:	An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which will not be more than ten years from the date of grant of the option provided that only up to one-third of the option, can be exercised in any 12-month period. The Board may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate, a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised. The minimum holding period and performance targets, if any, will be determined by the board at its absolute discretion on a case by case basis upon the grant of the relevant option and stated in the offer of grant of the option.
(vii)	Amount payable on acceptance of the option and the period within which payment must be made	:	Nominal amount of HK$1 upon acceptance of the option which must be made within 28 days from the offer date.

Share options (Continued)

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

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

Directors

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

CHAIRMAN
Jonathan Koon Shum Choi

EXECUTIVE DIRECTOR
Michael Koon Ming Choi *(Chief Executive Officer)*

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

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

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

Biographical details of directors and senior management

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

Directors' service contracts

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

Directors' interests in contracts

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

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

As at 30 June 2015, 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	2,391,447,327	45.72%
Dr Jonathan Koon Shum Choi	Personal	639,940,473	12.23%
Mr Michael Koon Ming Choi	Personal	14,570,203	0.28%
Mr Stanley Kam Chuen Ko	Personal	1,500,000	0.03%

* Dr Jonathan Koon Shum Choi is deemed to be interested in 2,391,447,327 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 27.

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

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

Name of director	Personal interest	Corporate interest	*Total number of common shares	*% of total issued shares
Dr Jonathan Koon Shum Choi**	10,653,096	74,449,701 *(Note 1)*	85,102,797	91.4%
Mr Michael Koon Ming Choi	118,937	23,405,487 *(Note 2)*	23,524,424	25.3%
Mr Stanley Kam Chuen Ko	20,400	–	20,400	<0.1%

* Excludes interest in share options to acquire common shares of SIL which are disclosed in section (III) below.

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

Notes:

(1) Of these, 36,966,159 shares are held by Sun Wah Capital Limited, 14,078,055 shares are held by Scarlet Red Limited and the remaining 23,405,487 shares are held by Perfect Dream Holdings 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, Scarlet Red Limited and Perfect Dream Holdings Limited, respectively.

(2) The 23,405,487 shares are held by Perfect Dream Holdings Limited, Mr Michael Koon Ming 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 Perfect Dream Holdings Limited.

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

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

Name of director	Exercise Period	Date of options granted	Exercise price per share	At 1 July 2014	Cancelled during the year	At 30 June 2015
Dr Jonathan Koon Shum Choi*	15/12/2010 to 15/12/2015	15/12/2010	C$0.55	2,166,650	–	2,166,650
Mr Michael Koon Ming Choi**	15/12/2010 to 15/12/2015	15/12/2010	C$0.55	2,166,650	–	2,166,650

* After the exercise of the options, Dr Jonathan Koon Shum Choi is deemed beneficial control a total of 87,269,447 shares.

** After the exercise of the options, Mr Michael Koon Ming Choi is deemed beneficial control a total of 25,691,074 shares.

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

(IV) INTEREST IN UNSECURED DEBENTURES ISSUED BY SIL

Name of director	Type of interest	Principal amount of debentures
Dr Jonathan Koon Shum Choi*	Corporate	C$4,500,000
Mr Michael Koon Ming Choi**	Corporate	C$1,500,000

* 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.

** 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.

Note:

The debentures bear an interest at the rate of 8% per annum payable semi-annually and mature on 19 September 2015.

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 2015, none of the directors and chief executive of the Company had any interests or short positions in the shares of the Company and its associated corporations as defined in the SFO, and none of the directors and chief executive of the Company or any of their spouses or children under 18 years of age had been granted any rights to subscribe for the shares of the Company, or had exercised any such rights during the year.

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

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

As at 30 June 2015, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests represent long positions in the shares of the Company.

			Number of ordinary shares in the Company		
	Name of shareholder	Country of incorporation	Direct interest	Deemed interest	% of total issued shares
(1)	World Developments Limited	British Virgin Islands	2,391,447,327	–	45.72%
(2)	Innovation Assets Limited	British Virgin Islands	–	2,391,447,327	45.72%
(3)	SIL	Bermuda	–	2,391,447,327	45.72%
(4)	Sun Wah Capital Limited	British Virgin Islands	–	2,391,447,327	45.72%

Note:

These shares represent the same interest and are therefore duplicated amongst World Developments Limited, Innovation Assets Limited, SIL and Sun Wah Capital Limited. World Developments Limited is a wholly owned subsidiary of Innovation Assets Limited whose entire issued share capital is beneficially owned by SIL. Sun Wah Capital Limited beneficially owns approximately 40% of the issued share capital of SIL and therefore is deemed (by virtue of the SFO) to be interested in these 2,391,447,327 shares. Dr Jonathan Koon Shum Choi, beneficially owns or has control of more than one-third of the issued share capital of SIL and Sun Wah Capital Limited and therefore is deemed (by virtue of the SFO) to be interested in these 2,391,447,327 shares. Ms. Janice Wing Kum Kwan, the spouse of Dr Choi, is deemed (by virtue of the SFO) to be interested in the 2,391,447,327 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 36 to the consolidated financial statements.

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

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

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

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

Total loans for the purpose of margin financing granted to any director and their respective associates are less than HK$10 million. During the year, the maximum loan amount granted to the director was less than HK$1 million and the interest received by the Group amounted to HK$3,170. 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.

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

(1) the Transactions are:

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

(ii) on normal commercial terms; and

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

(2) (i) the aggregate amount of the commission received by the Group in respect of the Securities Transactions for the year ended 30 June 2015 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 2015 did not exceed HK$10 million.

Sufficiency of public float

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

Corporate Governance

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

Directors' interest in competing business

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

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

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

Auditors

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

By order of the board

Jonathan Koon Shum Choi
Chairman

Hong Kong, 17 September 2015

Independent Auditor's Report

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

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sunwah Kingsway Capital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 102, which comprise the consolidated and Company's statements of financial position as at 30 June 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 30 June 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 September 2015

Consolidated Income Statement

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

	Notes	2015	2014
Turnover			
Commission and fee income	4	**$ 93,355,973**	$ 91,766,216
Interest and dividend income	4	**18,177,734**	14,530,201
		$ 111,533,707	$ 106,296,417
Net gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	5	**17,440,769**	41,850,421
Net gain on disposal of available-for-sale investments		**–**	10,478,172
Other income	6	**1,894,934**	10,894,287
		$ 130,869,410	$ 169,519,297
Operating expenses			
Commission expenses		**(10,478,122)**	(13,262,806)
General and administrative expenses		**(107,434,701)**	(117,781,165)
Finance costs	7(a)	**(2,116,499)**	(3,118,739)
		$ 10,840,088	$ 35,356,587
Gain from a bargain purchase	14	**–**	607,852
Fair value changes on investment properties	15	**1,380,361**	–
Loss on disposal of an overseas subsidiary		**–**	(2,153,744)
Impairment loss for other receivable	21	**(1,358,964)**	(1,439,338)
Share of profits/(losses) of associates	19	**766,186**	(347,968)
Profit before tax	7	**$ 11,627,671**	$ 32,023,389
Income tax credit/(expense)	9(a)	**35,480**	(35,480)
Profit for the year		**$ 11,663,151**	$ 31,987,909
Attributable to:			
Owners of the Company		**$ 9,086,187**	$ 31,870,270
Non-controlling interests		**211,953**	31,760
Holders of non-controlling interests in consolidated investment fund		**2,365,011**	85,879
Profit for the year		**$ 11,663,151**	$ 31,987,909
Basic earnings per share	13	**0.19 cent**	0.85 cent
Diluted earnings per share	13	**0.19 cent**	0.85 cent

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

		2015		2014
Profit for the year	$	**11,663,151**	$	31,987,909
Other comprehensive income/(expenses):				
Items that will not be reclassified to profit or loss:				
Surplus on revaluation of land and buildings held for own use (net of tax)	$	**24,464,767**	$	16,275,426
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of financial statements of overseas subsidiaries	$	**8,285**	$	164,233
Fair value changes on available-for-sale investments		**962,501**		4,520,855
Reclassification upon disposal of available-for-sale investments		**–**		(10,478,172)
Reclassification upon disposal of an overseas subsidiary		**–**		2,153,744
	$	**970,786**	$	(3,639,340)
Other comprehensive income for the year	$	**25,435,553**	$	12,636,086
Total comprehensive income for the year	$	**37,098,704**	$	44,623,995
Total comprehensive income attributable to:				
Owners of the Company	$	**34,521,740**	$	44,506,356
Non-controlling interests		**211,953**		31,760
Holders of non-controlling interests in consolidated investment fund		**2,365,011**		85,879
Total comprehensive income for the year	$	**37,098,704**	$	44,623,995

Consolidated Statement of Financial Position

At 30 June 2015 (Expressed in Hong Kong dollars)

	Notes	2015	2014
Non-current assets			
Investment properties	15	$ **64,900,000**	$ –
Properties and equipment	16	**343,545,064**	326,224,268
Intangible assets	17	**2,051,141**	2,051,141
Interests in associates	19	**16,325,102**	15,558,916
Available-for-sale investments	20	**39,967,090**	7,995,389
Other receivable	21	**32,641,698**	32,690,662
Other financial assets	22	**11,357,015**	7,650,148
		$ **510,787,110**	$ 392,170,524
Current assets			
Loan to an associate	19	$ **1,218,130**	$ 1,319,580
Financial assets at fair value through profit or loss	23	**157,216,758**	164,795,188
Accounts, loans and other receivables	24	**284,791,446**	153,246,368
Cash and cash equivalents	26	**369,514,912**	239,103,210
		$ **812,741,246**	$ 558,464,346
Current liabilities			
Financial liabilities at fair value through profit or loss	27	$ **1,940,000**	$ 1,530,000
Net assets attributable to holders of non-controlling interests in consolidated investment fund	28	**17,445,517**	15,080,506
Accruals, accounts and other payables	29	**234,555,116**	100,983,968
Bank loans	30	**95,000,000**	82,400,000
Current taxation		**1,450,324**	1,450,324
		$ **350,390,957**	$ 201,444,798
Net current assets		$ **462,350,289**	$ 357,019,548
Total assets less current liabilities		$ **973,137,399**	$ 749,190,072
Non-current liabilities			
Deferred tax liabilities	31	$ **19,936,962**	$ 15,871,710
NET ASSETS		$ **953,200,437**	$ 733,318,362
CAPITAL AND RESERVES			
Share capital	32	$ **523,130,488**	$ 460,130,488
Reserves		**429,565,704**	272,895,582
Equity attributable to owners of the Company		$ **952,696,192**	$ 733,026,070
Non-controlling interests		**504,245**	292,292
TOTAL EQUITY		$ **953,200,437**	$ 733,318,362

The consolidated financial statements on pages 31 to 102 were approved and authorised for issue by the Board of Directors on 17 September 2015 and signed on its behalf by:

Jonathan Koon Shum Choi
Director

Michael Koon Ming Choi
Director

Statement of Financial Position

At 30 June 2015 (Expressed in Hong Kong dollars)

	Notes		**2015**		2014
Non-current assets					
Interests in subsidiaries	*18*	**$**	**213,272,358**	$	213,272,358
Amounts due from subsidiaries	*25*		**202,313,787**		299,702,472
		$	**415,586,145**	$	512,974,830
Current assets					
Prepayments, deposits and other receivable	*24*	**$**	**293,624**	$	267,075
Amounts due from subsidiaries	*25*		**347,403,036**		171,944,442
Cash and cash equivalents			**167,335,218**		57,211,520
		$	**515,031,878**	$	229,423,037
Current liabilities					
Accruals, accounts and other payables	*29*	**$**	**723,895**	$	1,114,456
		$	**723,895**	$	1,114,456
Net current assets		**$**	**514,307,983**	$	228,308,581
NET ASSETS		**$**	**929,894,128**	$	741,283,411
CAPITAL AND RESERVES					
Share capital	*32*	**$**	**523,130,488**	$	460,130,488
Reserves	*33*		**406,763,640**		281,152,923
TOTAL EQUITY		**$**	**929,894,128**	$	741,283,411

Jonathan Koon Shum Choi
Director

Michael Koon Ming Choi
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Capital reserve on consolidation	Share options reserve	Exchange reserve	Properties revaluation reserve	Investments revaluation reserve	(Accumulated losses)	Total	Non-controlling interests	Total
At 1 July 2014	**$ 460,130,488**	**$ 135,312,564**	**$ 39,800,000**	**$ 63,391,540**	**$ -**	**$ (3,577,693)**	**$ 86,275,660**	**$ -**	**$ (48,306,489)**	**$ 733,026,070**	**$ 292,292**	**$ 733,318,362**
Profit for the year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,086,187	$ 9,086,187	$ 211,953	$ 9,298,140
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	8,285	-	-	-	8,285	-	8,285
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	-	24,464,767	-	-	24,464,767	-	24,464,767
Fair value changes on available-for-sale investments	-	-	-	-	-	-	-	962,501	-	962,501	-	962,501
Total comprehensive income for the year	$ -	$ -	$ -	$ -	$ -	$ 8,285	$ 24,464,767	$ 962,501	$ 9,086,187	$ 34,521,740	$ 211,953	$ 34,733,693
2014 Final dividend paid (note 12b)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (13,803,915)	$ (13,803,915)	$ -	$ (13,803,915)
2015 Interim dividend paid (note 12b)	-	-	-	-	-	-	-	-	(9,202,610)	(9,202,610)	-	(9,202,610)
Issued of shares (note 32)	63,000,000	151,200,000	-	-	-	-	-	-	-	214,200,000	-	214,200,000
Share issue expenses	-	(6,045,093)	-	-	-	-	-	-	-	(6,045,093)	-	(6,045,093)
At 30 June 2015	**$ 523,130,488**	**$ 280,467,471**	**$ 39,800,000**	**$ 63,391,540**	**$ -**	**$ (3,569,408)**	**$ 110,740,427**	**$ 962,501**	**$ (62,226,827)**	**$ 952,696,192**	**$ 504,245**	**$ 953,200,437**
At 1 July 2013	$ 368,104,391	$ 94,273,918	$ 39,800,000	$ 63,391,540	$ 11,550,000	$ (5,895,670)	$ 70,000,234	$ 5,957,317	$ (73,321,539)	$ 573,860,191	$ –	$ 573,860,191
Profit for the year	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 31,870,270	$ 31,870,270	$ 31,760	$ 31,902,030
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	–	–	–	164,233	–	–	–	164,233	–	164,233
Surplus on revaluation of land and buildings held for own use	–	–	–	–	–	–	16,275,426	–	–	16,275,426	–	16,275,426
Fair value changes on available-for-sale investments	–	–	–	–	–	–	–	4,520,855	–	4,520,855	–	4,520,855
Reclassification upon disposal of available-for-sale investment	–	–	–	–	–	–	–	(10,478,172)	–	(10,478,172)	–	(10,478,172)
Reclassification upon disposal of an overseas subsidiary	–	–	–	–	–	2,153,744	–	–	–	2,153,744	–	2,153,744
Total comprehensive income/(expenses) for the year	$ –	$ –	$ –	$ –	$ –	$ 2,317,977	$ 16,275,426	$ (5,957,317)	$ 31,870,270	$ 44,506,356	$ 31,760	$ 44,538,116
2013 Final dividend paid (note 12b)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ (11,043,132)	$ (11,043,132)	$ –	$ (11,043,132)
2014 Interim dividend paid (note 12b)	–	–	–	–	–	–	–	–	(7,362,088)	(7,362,088)	–	(7,362,088)
Issued of shares on open offer (note 32)	92,026,097	44,172,527	–	–	–	–	–	–	–	136,198,624	–	136,198,624
Share issue expenses	–	(3,133,881)	–	–	–	–	–	–	–	(3,133,881)	–	(3,133,881)
Release upon lapsed of share option	–	–	–	–	(11,550,000)	–	–	–	11,550,000	–	–	–
Recognition of non-controlling interests since acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	260,532	260,532
At 30 June 2014	$ 460,130,488	$ 135,312,564	$ 39,800,000	$ 63,391,540	$ –	$ (3,577,693)	$ 86,275,660	$ –	$ (48,306,489)	$ 733,026,070	$ 292,292	$ 733,318,362

Consolidated Statement of Cash Flows

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

	Notes	2015	2014
Operating activities			
Profit before tax		**$ 11,627,671**	$ 32,023,389
Adjustments for:			
Depreciation		**11,565,721**	11,129,757
Interest expense		**2,116,499**	3,118,739
Dividend income		**(2,683,054)**	(2,629,724)
Interest income		**(15,494,680)**	(11,900,477)
Gain from a bargain purchase		**–**	(607,852)
Loss on disposal of an overseas subsidiary		**–**	2,153,744
Gain on disposal of an intangible asset		**–**	(9,199,228)
Net loss on disposal of properties and equipment		**20,688**	304,331
Share of (profits)/losses of associates		**(766,186)**	347,968
Impairment losses for accounts receivable (net)		**150,865**	9,050,907
Fair value changes on investment properties		**(1,380,361)**	–
Net gain on disposal of available-for-sale investments		**–**	(10,478,172)
Impairment loss for other receivable		**1,358,964**	1,439,338
Effect of foreign exchange rate changes		**109,715**	334,321
Operating profit before changes in working capital		**$ 6,625,842**	$ 25,087,041
(Increase)/decrease in other financial assets		**(3,706,867)**	1,609,317
Decrease/(increase) in financial assets at fair value through profit or loss		**7,578,430**	(7,725,191)
(Increase)/decrease in accounts, loans and other receivables		**(132,621,961)**	72,429,542
Increase in accruals, accounts and other payables		**133,586,692**	21,436,685
Increase/(decrease) in financial liabilities at fair value through profit or loss		**410,000**	(6,452,100)
Cash generated from operations		**$ 11,872,136**	$ 106,385,294
Interest received		**15,171,237**	10,181,720
Dividends received		**2,622,515**	2,315,176
Interest paid		**(2,132,043)**	(3,254,824)
Net cash generated from operating activities		**$ 27,533,845**	$ 115,627,366

Consolidated Statement of Cash Flows

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

	Notes	2015	2014
Investing activities			
Payments for purchase of available-for-sale investment		**$ (31,009,200)**	$ –
Payments for purchase of properties and equipment		**(357,880)**	(67,988)
Payments for purchase of investment properties	*15*	**(42,731,189)**	–
Proceeds on disposal of properties and equipment		**16,194**	62,284
Net proceeds on disposal of an intangible asset		**–**	9,479,228
Acquisition of a subsidiary	*14*	**(20,788,450)**	–
Net cash (used in)/generated from investing activities		**$ (94,870,525)**	$ 9,473,524
Financing activities			
Repayment of bank loans		**$ (1,219,400,000)**	$ (926,880,000)
Proceeds from new bank loans		**1,232,000,000**	855,280,000
Dividends paid to owners of the Company		**(23,006,525)**	(18,405,220)
Net proceeds from issue of equity shares	*32*	**208,154,907**	133,064,743
Net cash generated from financing activities		**$ 197,748,382**	$ 43,059,523
Net increase in cash and cash equivalents		**$ 130,411,702**	$ 168,160,413
Cash and cash equivalents at 1 July 2014/2013		**239,103,210**	70,942,797
Cash and cash equivalents at 30 June 2015/2014		**$ 369,514,912**	$ 239,103,210
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		**$ 369,514,912**	$ 239,103,210

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

1 Corporate information

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

The principal activities of the Company and its significant subsidiary companies are disclosed in the Director's Report of the annual report and in note 37.

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")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
HK(IFRIC)-INT 21	Levies
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[3]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

– All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

– In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

– The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Directors of the Company anticipate that the application of all other new and revised standards, amendments or interpretation will have no material impact on the consolidated financial statements.

3 Significant accounting policies

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3 Significant accounting policies (Continued)

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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 and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, or, when applicable, the cost on initial recognition of an investment in an associate.

3 Significant accounting policies (Continued)

BASIS OF CONSOLIDATION (Continued)

Business combinations

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 the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities 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 share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); 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.

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 re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed 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 that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group 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 included 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 made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3 Significant accounting policies (Continued)

BASIS OF CONSOLIDATION (Continued)

Business combinations (Continued)

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.

When 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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3 Significant accounting policies (Continued)

INVESTMENTS IN ASSOCIATES (Continued)

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

INTANGIBLE ASSETS

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

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

3 Significant accounting policies (Continued)

CASH AND CASH EQUIVALENTS

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

FINANCIAL INSTRUMENTS

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

Financial assets

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

Financial assets at FVTPL

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

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

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

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Loans and receivables

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

AFS financial assets

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

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

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

Impairment of financial assets

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

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

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

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

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

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

Financial liabilities and equity instruments

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

Financial liabilities at FVTPL

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

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

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial liabilities and equity instruments (Continued)

Net assets attributable to holders of non-controlling interests in consolidated investment fund

A financial instrument that gives the holder the right to put it back to the issuer for cash or another financial asset (a 'puttable instrument') is a financial liability. The financial instrument is a financial liability even when the amount of cash or other financial assets is determined on the basis of an index or other item that has the potential to increase or decrease. The existence of an option for the holder to put the instrument back to the issuer for cash or another financial asset means that the puttable instrument meets the definition of a financial liability.

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

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

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

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

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

3 Significant accounting policies (Continued)

PROPERTY AND EQUIPMENT

(i) Land and buildings held for own use

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

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

(ii) Equipment

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

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

(iii) Depreciation

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

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

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

3 Significant accounting policies (Continued)

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

LEASING

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

The Group as lessee

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

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

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

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

3 Significant accounting policies (Continued)

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

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

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

REVENUE RECOGNITION

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

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

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

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

EMPLOYEE BENEFITS

(i) Employee leave entitlements

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

(ii) Bonus plans

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

3 Significant accounting policies (Continued)

EMPLOYEE BENEFITS (Continued)

(iii) Defined contribution pension plan obligations

The Group operates 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 $30,000 imposed by the MPF Scheme Ordinance. Payments to the MPF Scheme are charged as expense when employees have rendered service entitling them to the contributions and are reduced by contributions forfeited, if applicable, by those employees who leave the scheme prior to the contributions become fully vested.

(iv) Equity-settled share-based payments transactions

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

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

TAXATION

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

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

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

3 Significant accounting policies (Continued)

TAXATION (Continued)

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

PROVISIONS

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

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

3 Significant accounting policies (Continued)

FOREIGN CURRENCIES

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

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

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

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

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

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

4 Turnover

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

	2015	2014
Commission and fee income on		
– securities, options, funds, futures and commodities brokerage	**$ 43,905,017**	$ 39,949,478
– underwriting and placements in equity capital markets	**25,894,527**	28,850,616
– corporate finance	**19,836,666**	18,217,072
– asset management	**–**	867,715
– miscellaneous fee income	**3,719,763**	3,881,335
	$ 93,355,973	$ 91,766,216
Interest and dividend income		
– interest from		
– bank deposits	**$ 1,587,855**	$ 616,974
– margin and IPO financing	**3,508,256**	3,346,620
– debt securities	**3,792,441**	3,293,722
– loans	**5,264,421**	3,304,868
– others	**1,341,707**	1,338,293
– dividend from listed equity securities	**2,683,054**	2,629,724
	$ 18,177,734	$ 14,530,201
	$ 111,533,707	$ 106,296,417

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

	2015	2014
Equity securities	**$ 15,647,581**	$ 37,257,391
Debt securities	**(2,458,060)**	677,027
Derivatives	**4,251,248**	3,916,003
	$ 17,440,769	$ 41,850,421

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

6 Other income

		2015		2014
Gain on disposal of an intangible asset	**$**	**–**	$	9,199,228
Other income		**1,894,934**		1,695,059
	$	**1,894,934**	$	10,894,287

7 Profit before tax

Profit before tax has been arrived at after charging:

		2015		2014
(a) Finance costs:				
Interest on:				
– bank loans wholly repayable within one month and overdrafts	**$**	**232,336**	$	587,104
– bank secured loans wholly repayable within five years		**750,075**		–
– bank mortgage loan wholly repayable within five years		**1,120,405**		2,437,660
– others		**13,683**		93,975
	$	**2,116,499**	$	3,118,739
(b) Staff costs, including directors' remuneration:				
Salaries and other allowances	**$**	**62,781,080**	$	66,331,973
Pension costs – defined contribution plan		**1,379,935**		1,332,650
	$	**64,161,015**	$	67,664,623
(c) Other items:				
Impairment losses for accounts receivable (net)	**$**	**150,865**	$	9,050,907
Operating lease charges – land and buildings		**2,699,656**		2,707,324
Depreciation		**11,565,721**		11,129,757
Net loss on disposal of properties and equipment		**20,688**		304,331
Auditors' remuneration		**2,146,275**		1,898,045
Exchange loss (net)		**125,941**		629,815

8 Segment reporting

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

Investment in securities	:	Investment in securities for treasury and liquidity management
Structured investment	:	Investment in structured deals including listed and unlisted equities, debt securities and investment properties
Brokerage	:	Provision of securities, options, funds, 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 asset management and related advisory services to private equity funds and private clients
Others	:	Provision of management, administrative and corporate secretarial services, inter-group loan financing and inter-group office leasing

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

8 Segment reporting (Continued)

	2015						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Segmental income statement							
Revenue from external customers	$ 6,078,954	$ 609,180	$ 57,433,122	$ 46,453,580	$ 8,087	$ 950,784	$ 111,533,707
Inter-segment revenue	2,508	–	1,903,790	7,497,000	2,607,338	20,139,619	32,150,255
Segment revenue	$ 6,081,462	$ 609,180	$ 59,336,912	$ 53,950,580	$ 2,615,425	$ 21,090,403	$ 143,683,962
Net gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	5,811,626	11,551,689	77,454	–	–	–	17,440,769
Other income	8,100	–	263,009	173,610	–	1,450,215	1,894,934
Eliminations	(2,508)	–	(1,903,790)	(7,497,000)	(2,607,338)	(20,139,619)	(32,150,255)
Total income	$ 11,898,680	$ 12,160,869	$ 57,773,585	$ 46,627,190	$ 8,087	$ 2,400,999	$ 130,869,410
Segment results	$ 4,355,874	$ 6,726,872	$ (2,371,299)	$ 11,366,823	$ 48,591	$ (9,265,376)	$ 10,861,485
Share of profits of associates	$ –	$ 283,527	$ 482,659	$ –	$ –	$ –	766,186
Profit before tax							$ 11,627,671
Segment assets							
Segment assets	$ 205,211,647	$ 167,363,033	$ 456,401,584	$ 10,068,973	$ 5,611,965	$ 520,900,561	$ 1,365,557,763
Interests in associates	–	3,085,604	13,239,498	–	–	–	16,325,102
							$ 1,381,882,865
Eliminations							(58,354,509)
Total assets							$ 1,323,528,356
Other segmental information							
Depreciation	$ –	$ –	$ 532,795	$ 2,959	$ –	$ 11,029,967	$ 11,565,721
Addition to non-current assets	$ –	$ –	$ 345,880	$ –	$ –	$ 12,000	$ 357,880
Impairment losses for accounts receivable (net)	$ –	$ –	$ –	$ 120,484	$ –	$ 30,381	$ 150,865
Impairment loss for other receivable	$ –	$ –	$ 1,358,964	$ –	$ –	$ –	$ 1,358,964
Commission expenses	$ –	$ 12,656	$ 10,465,466	$ –	$ –	$ –	$ 10,478,122
Interest expenses	$ –	$ –	$ 224,873	$ –	$ –	$ 1,891,626	$ 2,116,499
Interest income	$ 4,002,064	$ 3,017	$ 11,216,961	$ 497	$ 8,086	$ 264,055	$ 15,494,680

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

8 Segment reporting (Continued)

	2014						
	Investment in securities	Structured investment	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
Segmental income statement							
Revenue from external customers	$ 5,460,131	$ 499,743	$ 50,735,098	$ 47,332,565	$ 868,379	$ 1,400,501	$ 106,296,417
Inter-segment revenue	45	–	1,058,397	200,000	185,866	27,346,949	28,791,257
Segment revenue	$ 5,460,176	$ 499,743	$ 51,793,495	$ 47,532,565	$ 1,054,245	$ 28,747,450	$ 135,087,674
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	41,608,833	270,724	(29,136)	–	–	–	41,850,421
Net gain on disposal of available-for-sale investments	–	10,478,172	–	–	–	–	10,478,172
Other income	21,264	–	9,435,653	5,143	–	1,432,227	10,894,287
Eliminations	(45)	–	(1,058,397)	(200,000)	(185,866)	(27,346,949)	(28,791,257)
Total income	$ 47,090,228	$ 11,248,639	$ 60,141,615	$ 47,337,708	$ 868,379	$ 2,832,728	$ 169,519,297
Segment results	$ 41,011,395	$ 8,683,928	$ (10,001,907)	$ 1,865,777	$ (1,191,728)	$ (7,996,108)	$ 32,371,357
Share of losses of associates	$ –	$ (177,883)	$ (170,085)	$ –	$ –	$ –	(347,968)
Profit before tax							$ 32,023,389
Segment assets							
Segment assets	$ 166,347,586	$ 62,810,481	$ 271,851,288	$ 18,925,107	$ 6,891,295	$ 458,324,647	$ 985,150,404
Interests in associates	–	2,802,077	12,756,839	–	–	–	15,558,916
							$ 1,000,709,320
Eliminations							(50,074,450)
Total assets							$ 950,634,870
Other segmental information							
Depreciation	$ –	$ –	$ 596,199	$ 3,120	$ –	$ 10,530,438	$ 11,129,757
Addition to non-current assets	$ –	$ –	$ 67,308	$ –	$ –	$ 680	$ 67,988
Impairment losses for accounts receivable (net)	$ –	$ –	$ 6,700,000	$ 2,350,907	$ –	$ –	$ 9,050,907
Impairment loss for other receivable	$ –	$ –	$ 1,439,338	$ –	$ –	$ –	$ 1,439,338
Commission expenses	$ –	$ 78,555	$ 7,871,531	$ 5,312,720	$ –	$ –	$ 13,262,806
Interest expenses	$ 92,420	$ –	$ 276,697	$ –	$ –	$ 2,749,622	$ 3,118,739
Interest income	$ 3,329,574	$ 577	$ 8,480,712	$ 3,828	$ 663	$ 85,123	$ 11,900,477

Notes to the Consolidated Financial Statements
For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

8 Segment reporting (Continued)

Geographical information

The following illustrates the geographical analysis of the Group's revenue from external customers, based on the country from which the transactions are executed, and information about its non-current assets (excluding interests in associates, available-for-sale investments, other receivable and other financial assets), based on the location of assets.

	Group			
	Turnover		Non-current assets	
	2015	2014	**2015**	2014
Hong Kong	**$101,821,756**	$ 100,927,881	**$366,194,258**	$ 287,101,449
The People's Republic of China (the "PRC")	**4,267,074**	1,512,664	**44,301,947**	41,173,960
Other	**5,444,877**	3,855,872	**–**	–
	$111,533,707	$ 106,296,417	**$410,496,205**	$ 328,275,409

Information about major customers

Included in revenues arising from corporate finance and capital markets division of $47.5 million for 2014 were revenues of approximately $11.9 million which arose from underwriting and placing commission and corporate finance fee received from the Group's largest customer. No major customers are noted in current year.

9 Income tax in the consolidated income statement

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. The charge for the year to Hong Kong Profits Tax has been relieved by approximately $2,323,582 (2014: $6,697,523) as a result of tax losses brought forward from previous years of $14,082,319 (2014: $40,591,053).

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

	2015	2014
Deferred tax		
Tax (credit)/expense for the year	**$ (35,480)**	$ 35,480

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

9 Income tax in the consolidated income statement (Continued)

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

The tax (credit)/charge for the year can be reconciled to the profit before tax per consolidated income statement as follows:

	2015	2014
Profit before tax	$ 11,627,671	$ 32,023,389
(Less)/add: Share of (profits)/losses of associates	(766,186)	347,968
	$ 10,861,485	$ 32,371,357
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	$ 1,792,145	$ 5,341,274
Effect of different tax rates of subsidiaries operating in other jurisdictions	(915,351)	(345,243)
Tax effect of non-deductible expenses	96,182	52,486
Tax effect of non-taxable income	(2,598,220)	(3,726,358)
Tax effect of utilisation of tax losses not previously recognised	(2,323,582)	(6,697,523)
Tax effect of tax losses not recognised	1,878,214	4,021,753
Others	2,035,132	1,389,091
Income tax (credit)/expense	$ (35,480)	$ 35,480

10 Directors' and management's emoluments

(a) DIRECTORS' EMOLUMENTS

The emoluments paid to each of 7 (2014: 8) directors and the chief executive officer ("CEO") were as follows:

	2015					
	Fees	Salaries, commissions and other allowances	Long service Payment	Bonuses *(Note)*	Retirement scheme contributions	Total
Jonathan Koon Shum Choi	$ 1,400,000	$ –	$ –	$ –	$ –	$ 1,400,000
Michael Koon Ming Choi (CEO)	–	2,340,000	–	700,000	78,000	3,118,000
Janice Wing Kum Kwan	200,000	–	–	–	–	200,000
Lee G. Lam	200,000	–	–	–	–	200,000
Robert Tsai To Sze	200,000	–	–	–	–	200,000
Stanley Kam Chuen Ko	200,000	–	–	–	–	200,000
Elizabeth Law	200,000	–	–	–	–	200,000
	$ 2,400,000	$ 2,340,000	$ –	$ 700,000	$ 78,000	$ 5,518,000

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

10 Directors' and management's emoluments (Continued)

(a) DIRECTORS' EMOLUMENTS (Continued)

	2014					
	Fees	Salaries, commissions and other allowances	Long Service Payment	Bonuses (Note)	Retirement scheme contributions	Total
Jonathan Koon Shum Choi	$ 1,400,000	$ –	$ –	$ –	$ –	$ 1,400,000
Mary Yuk Sin Lam	–	1,306,999	271,192	–	8,750	1,586,941
Michael Koon Ming Choi (CEO)	–	1,980,000	–	735,000	75,250	2,790,250
Janice Wing Kum Kwan	200,000	–	–	–	–	200,000
Lee G. Lam	200,000	–	–	–	–	200,000
Robert Tsai To Sze	200,000	–	–	–	–	200,000
Stanley Kam Chuen Ko	200,000	–	–	–	–	200,000
Elizabeth Law	200,000	–	–	–	–	200,000
	$ 2,400,000	$ 3,286,999	$ 271,192	$ 735,000	$ 84,000	$ 6,777,191

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

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

(b) EMPLOYEES' EMOLUMENTS (EXCLUDING COMMISSIONS)

The five individuals whose emoluments (excluding commissions) were the highest in the Group for the year include 1 (2014: 1) director whose emolument (excluding commissions) received in his capacity as director of the Company is reflected in the analysis presented above. The emoluments (excluding commissions) payable to the remaining 4 (2014:4) individuals during the year are as follows:

	2015	2014
Salaries, other allowances and benefits in kind	**$ 4,837,624**	$ 4,380,000
Bonuses	**13,369,000**	13,225,000
Retirement scheme contributions	**72,000**	55,000
	$ 18,278,624	$ 17,660,000

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

10 Directors' and management's emoluments (Continued)

(b) EMPLOYEES' EMOLUMENTS (EXCLUDING COMMISSIONS) (Continued)

The emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
$2,000,001 – $2,500,000	**2**	–
$2,500,001 – $3,000,000	**–**	2
$4,500,001 – $5,000,000	**–**	1
$6,500,001 – $7,000,000	**2**	–
$7,000,001 – $7,500,000	**–**	1

(c) SENIOR MANAGEMENTS' EMOLUMENTS

The emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
$2,000,001 – $2,500,000	**2**	2

11 Profit attributable to owners of the Company

The consolidated profit attributable to owners of the Company includes a profit of $5,181,035 (2014: $12,955,372) which has been dealt with in the financial statements of the Company.

12 Dividends

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

	2015	2014
Interim dividend paid of 0.2 cent per share (2014: 0.2 cent per share)	**$ 9,202,610**	$ 7,362,088
Final dividend proposed after the end of the reporting period of 0.3 cent per share (2014: 0.3 cent per share)	**16,563,915**	13,803,915
	$ 25,766,525	$ 21,166,003

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

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

12 Dividends (Continued)

(b) DIVIDENDS RECOGNISED AS DISTRIBUTIONS DURING THE YEAR

	2015	2014
Final dividend in respect of the previous financial year, approved and paid of 0.3 cent per share (2014: 0.3 cent per share)	**$ 13,803,915**	$ 11,043,132
Interim dividend paid of 0.2 cent per share (2014: 0.2 cent per share)	**9,202,610**	7,362,088
	$ 23,006,525	$ 18,405,220

13 Earnings per share

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

	2015	2014
Earnings		
Earnings for the purposes of basic and diluted earnings per share		
Earnings for the year attributable to owners of the Company	**$ 9,086,187**	$ 31,870,270
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**$ 4,684,154,197**	3,756,439,106

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of shares for 2014. All share options lapsed during the last year.

14 Acquisition of subsidiaries

For the year ended 30 June 2015

On 06 May 2015, the Group acquired for 100% of the issued share capital of a property investment company for a consideration at $20,788,450. Before the acquisition, the property investment company has entered into agreements to purchase properties located in Hong Kong and the assets recognised by the property investment company mainly represented the deposits and other direct costs paid for the properties.

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

14 Acquisition of subsidiaries (Continued)

For the year ended 30 June 2015 (Continued)

Assets acquired at the date of acquisition of the subsidiary at fair value are as follows:

Deposits and direct costs paid for the properties at fair value	$	20,788,450

For the year ended 30 June 2014

On 28 April 2014, the Group subscribed for 70% of the issued share capital of an investment management company for a consideration at US$7, which was the investment manager of an investment fund that the Group held 62.7% of interest in it and subsequently increased to 70.09%. The amount of bargain purchase gain arising as a result of the acquisition was $607,852. The investment manager was responsible for all investment activities of the investment fund which would affect its return, hence the Group obtained control of the investment fund upon the acquisition of the investment manager. Therefore the investment fund was deemed disposed of and derecognised from available-for-sale financial asset and recognised as subsidiary on the date of acquisition of the investment manager.

Assets acquired and liabilities recognised at the date of deemed acquisition of the investment fund at fair value were as follows:

Financial assets at fair value through profit or loss	$	18,050,732
Accounts, loans and other receivables		42,578,518
Financial liabilities at fair value through profit or loss		(7,982,100)
Accruals and other payables		(12,442,342)
	$	40,204,808

Net assets attributable to holders of non-controlling interests in the investment fund recognised at the deemed acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to $14,994,627.

No goodwill and net cash outflow was expected on the deemed acquisition of the investment fund.

15 Investment properties

		2015
Arising from acquisition of a subsidiary	**$**	**20,788,450**
Addition		**42,731,189**
Net change in fair value recognised in profit or loss		**1,380,361**
At 30 June 2015		**64,900,000**

The investment properties are held on medium lease of less than 50 years remaining.

One of the investment properties with a carrying amount of approximately $63.2 million is a shop located at Shop A, 1st Floor, COS Centre, 56 Tsun Yip Street, Kowloon, Hong Kong.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

15 Investment Properties (Continued)

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 30 June 2015 has been arrived at on the basis of a valuation carried out on the respective date by RHL Appraisal Limited, an independent qualified professional valuer not connected to the Group who has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair value of investment properties situated in Hong Kong classified in level 3 fair value hierarchy was determined based on the direct comparison approach where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

The following table gives information about how the fair value of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements and categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

At 30 June 2015

Investment properties held by the Group	Fair value hierarchy	Valuation techniques and key inputs	Unobservable inputs	Relationship of significant unobservable inputs to fair value
Commercial property units	Level 3	Direct comparison method based on market observable transactions and adjust to reflect the conditions and locations of the subject properties The key inputs are: (1) Floor level adjustment (2) View adjustment (3) Size adjustment (4) Location adjustment (5) Time adjustment	Various unobservable inputs concluding with a range of 0% to -31%	Higher premium for properties with higher characteristic will result in a higher fair value measurement

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

In estimating the fair value of the investment properties, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the management's findings to the Board of Directors of the Company every half year to explain the cause of fluctuations in the fair value of the investment properties.

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

16 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 2013	$ 303,419,521	$ 14,055,101	$ 1,476,029	$ 9,977,820	$ 2,187,356	$ 331,115,827
Exchange adjustments	–	4,745	156	(515)	(1,513)	2,873
Additions	–	–	–	67,988	–	67,988
Disposals	–	(1,211,488)	(39,882)	(312,624)	(1,817,075)	(3,381,069)
Elimination on revaluation	(6,853,792)	–	–	–	–	(6,853,792)
Surplus on revaluation	18,818,541	–	–	–	–	18,818,541
At 30 June 2014 and 1 July 2014	$ 315,384,270	$ 12,848,358	$ 1,436,303	$ 9,732,669	$ 368,768	$ 339,770,368
Exchange adjustments	–	–	–	20	46	66
Additions	–	–	–	357,880	–	357,880
Disposals	–	–	–	–	(368,814)	(368,814)
Elimination on revaluation	(7,396,284)	–	–	–	–	(7,396,284)
Surplus on revaluation	28,565,499	–	–	–	–	28,565,499
At 30 June 2015	$ 336,553,485	$ 12,848,358	$ 1,436,303	$ 10,090,569	$ –	$ 360,928,715
Accumulated depreciation and impairment						
At 1 July 2013	$ –	$ 4,850,155	$ 569,264	$ 4,778,828	$ 2,084,246	$ 12,282,493
Exchange adjustments	–	3,743	109	(395)	(1,361)	2,096
Charge for the year	6,853,792	2,463,108	228,645	1,584,212	–	11,129,757
Elimination on revaluation	(6,853,792)	–	–	–	–	(6,853,792)
Disposals	–	(955,484)	(27,920)	(280,056)	(1,750,994)	(3,014,454)
At 30 June 2014 and 1 July 2014	$ –	$ 6,361,522	$ 770,098	$ 6,082,589	$ 331,891	$ 13,546,100
Exchange adjustments	–	–	–	5	41	46
Charge for the year	7,396,284	2,463,108	228,413	1,477,916	–	11,565,721
Elimination on revaluation	(7,396,284)	–	–	–	–	(7,396,284)
Disposals	–	–	–	–	(331,932)	(331,932)
At 30 June 2015	$ –	$ 8,824,630	$ 998,511	$ 7,560,510	$ –	$ 17,383,651
Carrying values:						
At 30 June 2015	$ 336,553,485	$ 4,023,728	$ 437,792	$ 2,530,059	$ –	$ 343,545,064
At 30 June 2014	$ 315,384,270	$ 6,486,836	$ 666,205	$ 3,650,080	$ 36,877	$ 326,224,268
Representing:						
Cost	$ –	$ 12,848,358	$ 1,436,303	$ 10,090,569	$ –	$ 24,375,230
Valuation	336,553,485	–	–	–	–	336,553,485
At 30 June 2015	$ 336,553,485	$ 12,848,358	$ 1,436,303	$ 10,090,569	$ –	$ 360,928,715
Representing:						
Cost	$ –	$ 12,848,358	$ 1,436,303	$ 9,732,669	$ 368,768	$ 24,386,098
Valuation	315,384,270	–	–	–	–	315,384,270
At 30 June 2014	$ 315,384,270	$ 12,848,358	$ 1,436,303	$ 9,732,669	$ 368,768	$ 339,770,368

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

16 Properties and equipment (Continued)

The Group's interest in land and buildings held for own use represents three office units and a carparking space located in the Hong Kong and PRC (2014: three office units and a carparking space located in the Hong Kong and PRC) which are held on medium lease of less than 50 years remaining.

Fair value measurement of the Group's land and buildings

The fair value of the Group's land and buildings as at 30 June 2015 and 30 June 2014 has been arrived at on the basis of a valuation carried out on the respective date by RHL Appraisal Limited, an independent qualified professional valuer not connected to the Group who has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair value of land and buildings held for own use situated in Hong Kong and PRC classified in level 3 fair value hierarchy was determined based on the direct comparison approach where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

The following table gives information about how the fair value of these land and buildings held for own use are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements and categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

At 30 June 2015

Land and buildings held for own use held by the Group	Fair value hierarchy	Valuation techniques and key inputs	Unobservable inputs	Relationship of significant unobservable inputs to fair value
Commercial property units	Level 3	Direct comparison method based on market observable transactions and adjust to reflect the conditions and locations of the subject properties The key inputs are: (1) Floor level adjustment (2) View adjustment (3) Size adjustment (4) Location adjustment (5) Time adjustment	Various unobservable inputs concluding with a range of 1% to -24%	Higher premium for properties with higher characteristic will result in a higher fair value measurement

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the land and buildings held for own use, the highest and best use of the land and buildings held for own use is their current use.

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

16 Properties and equipment (Continued)

Fair value measurement of the Group's land and buildings (continued)

In estimating the fair value of the land and buildings held for own use, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the management's findings to the Board of Directors of the Company every half year to explain the cause of fluctuations in the fair value of the land and buildings held for own use.

The revaluation surplus of $28,565,499 (2014: $18,818,541), net of the related deferred tax of $4,100,732 (2014: $2,543,115) was credited to the properties revaluation reserve. If land and buildings held for own use had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of $212,460,103 (2014: $217,370,833).

Land and buildings held for own use with a carrying amount of approximately $293 million (2014: $275 million) have been pledged to secure the bank loans of $95 million (2014: a mortgage loan of $82.4 million).

17 Intangible assets

	Group			
	Membership of Chinese Gold & Silver Exchange Society	**Club memberships**	**Exchange trading rights**	**Total**
Cost				
At 1 July 2013	$ 280,000	$ 590,000	$ 1,554,670	$ 2,424,670
Disposal	(280,000)	–	–	(280,000)
At 30 June 2014, 1 July 2014 and 30 June 2015	**$ –**	**$ 590,000**	**$ 1,554,670**	**$ 2,144,670**
Impairment				
At 1 July 2013, 30 June 2014, 1 July 2014 and 30 June 2015	$ –	$ 70,000	$ 23,529	$ 93,529
Carrying amount				
At 30 June 2015	**$ –**	**$ 520,000**	**$ 1,531,141**	**$ 2,051,141**
At 30 June 2014	$ –	$ 520,000	$ 1,531,141	$ 2,051,141

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

18 Interests in subsidiaries

	Company			
		2015		2014
Unlisted shares, at cost	**$**	**279,272,358**	$	279,272,358
Less: Impairment loss		**(66,000,000)**		(66,000,000)
	$	**213,272,358**	$	213,272,358

Particulars of the significant subsidiaries of the Group are set out in note 37.

The recoverable amount of the investment in subsidiaries is determined by using the value in use calculation of each respective subsidiary for the impairment assessment. The calculation uses cash flow projections based on financial budgets approved by management covering a one-year period.

19 Interests in associates and loan to an associate

	Group			
		2015		2014
Cost of investments in associates	**$**	**24,600,234**	$	24,600,234
Share of post acquisition losses and other comprehensive expenses		**(8,275,132)**		(9,041,318)
Carrying amount of unlisted associates		**16,325,102**		15,558,916

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	Proportion of voting right held by the Group		Interest indirectly held	
					2015	2014	**2015**	2014
KCG Securities Asia Limited	Incorporated	Hong Kong	Securities brokerage	20,000,000 ordinary shares of $1 each	**30%**	30%	**30%**	30%
Sinochem Kingsway Capital Inc.	Incorporated	Cayman Islands	Investment holding	100,000 ordinary shares of $0.1 each	**30%**	30%	**30%**	30%
Laurel Capital Kingsway (Cayman) Limited	Incorporated	Cayman Islands	Investment holding	100 ordinary shares of US$1 each	**30%**	30%	**30%**	30%

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

19 Interests in associates and loan to an associate (Continued)

Summarised financial information of associates:

Aggregate information of associates that are not individually material

	Assets	Liabilities	Net Assets	Revenue	Profit/(Loss)
2015					
100 per cent	**$ 203,375,179**	**$ 148,958,174**	**$ 54,417,005**	**$ 14,241,101**	**$ 2,625,067**
Group's effective interest	**$ 61,012,554**	**$ 44,687,452**	**$ 16,325,102**	**$ 4,272,330**	**$ 766,186**
2014					
100 per cent	$ 132,510,195	$ 80,647,142	$ 51,863,053	$ 10,843,075	$ (1,419,608)
Group's effective interest	$ 39,753,058	$ 24,194,142	$ 15,558,916	$ 3,252,922	$ (347,968)

As at 30 June 2015, the Group granted to an associate a pro-rata shareholders' loan of British Pound 100,000, which was equivalent to $1,218,130 (2014: British Pound 100,000, which was equivalent to $1,319,580). The loan is unsecured, interest-bearing at 2% per annum and repayable within one year (2014: repayable within one year).

20 Available-for-sale investments

	Notes	Group 2015	2014
Unlisted investments:			
– Investment fund at fair value	*(a)*	**$ 31,971,701**	$ –
– Partnership shares at cost	*(b)*	**7,995,389**	7,995,389
		$ 39,967,090	$ 7,995,389

Notes:

(a) The fair value of the investment fund was based on the net asset value of the investment fund reported to the Trustee by the administrator as of the end of the reporting period.

During the year, the Group invested in a private equity fund with an investment cost of $31,009,200.

During the last year, the Group acquired an investment management company which is the investment manager of the investment fund invested by the Group. The investment fund was deemed disposed and derecognised from available-for-sale financial asset and recognised as subsidiary (see note 14). The cumulative fair value changes that had been recognised in other comprehensive income was reclassified from investments revaluation reserve to profit or loss as a deemed disposal.

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

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

21 Other receivable

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

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

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

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

22 Other financial assets

	Group	
	2015	2014
Statutory deposits	**$ 9,565,905**	$ 5,846,465
Other deposits and receivables	**1,791,110**	1,803,683
	$ 11,357,015	$ 7,650,148

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

23 Financial assets at fair value through profit or loss

	Group	
	2015	2014
Held for trading investments include:		
Listed equity securities, at quoted price		
– in Hong Kong	**$ 107,703,185**	$ 122,697,388
– outside Hong Kong	**892,546**	2,815,319
Listed debt securities, at quoted price		
– in Hong Kong	**18,179,825**	13,975,699
– outside Hong Kong	**30,441,202**	25,306,782
	$ 157,216,758	$ 164,795,188

24 Accounts, loans and other receivables

		Group		Company	
	Notes	**2015**	2014	**2015**	2014
Accounts and loans receivables					
Amounts due from brokers and clearing houses	*(a)*	**$ 50,423,930**	$ 66,355,628	**$ –**	$ –
Amounts due from margin clients	*(b)*	**31,578,875**	28,096,091	**–**	–
Amounts due from cash clients	*(c)*	**175,806,025**	35,660,411	**–**	–
Fixed-rate loans receivable	*(d)*	**16,500,000**	16,000,000	**–**	–
Other accounts receivable	*(e)*	**2,668,922**	15,774,871	**–**	–
		$ 276,977,752	$ 161,887,001	**$ –**	$ –
Less: Impairment losses		**(1,687,768)**	(13,687,266)	**–**	–
		$ 275,289,984	$ 148,199,735	**$ –**	$ –
Prepayments, deposits and other receivables		**9,501,462**	5,046,633	**293,624**	267,075
		$ 284,791,446	$ 153,246,368	**$ 293,624**	$ 267,075

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

24 Accounts, loans and other receivables (Continued)

Notes:

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

The Group maintains clients' monies arising from the ordinary course of business of dealing in options and futures contracts in trust with The SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKFECC"). As at 30 June 2015, the Group held $9,350,800 (2014: $4,240,892) with SEOCH and $10,775,610 (2014: $5,804,585) with HKFECC in trust for clients which were not dealt with in these consolidated financial statements.

The amount due from a broker of $2,788,500 (2014: $3,955,835) was pledged as securities for the stock borrowing transactions.

(b) Margin clients of the brokerage division are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the value of securities accepted by the Group. As at 30 June 2015, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately $147 million (2014: $113 million). The amounts due from margin clients are repayable on demand and bear interest at commercial rates.

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

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

(e) The balance included an amount of $NIL (2014: $65,000) receivable from an associate arising from normal business transactions. The Group normally allows credit periods of up to 30 days to customers, except for certain creditworthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period.

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

24 Accounts, loans and other receivables (Continued)

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

	Group		Company	
	2015	2014	**2015**	2014
Within one month past due	**$ 190,000**	$ 290,000	**$ –**	$ –
More than one month and within three months past due	**1,505,000**	1,200,000	**–**	–
More than three months past due	**763,505**	641,515	**–**	–
	$ 2,458,505	$ 2,131,515	**$ –**	$ –

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

	Group		Company	
	2015	2014	**2015**	2014
Current and within one month	**$ 272,831,479**	$ 146,068,220	**$ –**	$ –
More than one month and within three months	**1,445,000**	1,490,000	**–**	–
More than three months	**1,013,505**	641,515	**–**	–
	$ 275,289,984	$ 148,199,735	**$ –**	$ –

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

	Amounts due from margin clients	Amounts due from cash clients	Fixed-rate loans receivable	Other accounts receivable	Total
At 1 July 2013	$ 3,831,259	$ –	$ –	$ 805,100	$ 4,636,359
Impairment losses reversed	(100,000)	–	–	–	(100,000)
Impairment losses recognised on receivables	–	1,166,213	6,800,000	1,184,694	9,150,907
Transfer	(252,409)	252,409	–	–	–
At 30 June 2014 and 1 July 2014	$ 3,478,850	$ 1,418,622	$ 6,800,000	$ 1,989,794	$ 13,687,266
Impairment losses recognised on receivables	–	–	–	150,865	150,865
Amounts written off as uncollectible	(3,330,188)	–	(6,800,000)	(2,020,175)	(12,150,363)
At 30 June 2015	$ 148,662	$ 1,418,622	$ –	$ 120,484	$ 1,687,768

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

24 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.

25 Amounts due from subsidiaries

The non-current amounts due from subsidiaries are unsecured, interest bearing at 2.3% above HIBOR and will not be repayable within 12 months.

The current amounts due from subsidiaries are unsecured, repayable on demand and interest-free except for the amount due from subsidiaries of $225,032,260 (2014: $68,252,000) bearing interest at 1.6%-2.3% (2014: 1.75%-2%) above HIBOR. The Company assesses at the reporting date whether or not there is objective evidence that the amounts due from subsidiaries are impaired and no impairment was noted.

26 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 2015, segregated clients' accounts not otherwise dealt with in these consolidated financial statements amounted to $831,246,035 (2014: $461,802,141).

27 Financial liabilities at fair value through profit or loss

	Group	
	2015	2014
Financial liabilities at FVTPL arising from short selling activities	**$ 1,940,000**	$ 1,530,000

Balance represented the fair value of securities from short selling activities as at 30 June 2015 and 2014.

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

28 Net assets attributable to holders of non-controlling interests in consolidated investment fund

Net assets attributable to holders of non-controlling interests in consolidated investment fund consist of net assets attributable to holders of non-controlling interests in consolidated investment fund which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to holders of non-controlling interests in investment fund cannot be predicted with accuracy since these represent the interest of non-controlling shareholders in consolidated investment fund that are subject to the actions of non-controlling investors.

29 Accruals, accounts and other payables

	Group		Company	
	2015	2014	**2015**	2014
Accounts payable (current and within one month)				
Amounts due to brokers and clearing houses	**$ 121,681,723**	$ 15,078,339	**$ –**	$ –
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	**82,420,965**	51,804,001	**–**	–
Others	**2,666,657**	8,206,545	**–**	–
	$ 206,769,345	$ 75,088,885	**$ –**	$ –
Other creditors, accruals and other provision	**27,785,771**	25,895,083	**723,895**	1,114,456
	$ 234,555,116	$ 100,983,968	**$ 723,895**	$ 1,114,456

The settlement terms of payable to brokers, cleaning houses and securities trading clients from the ordinary course of business of broking in securities range from one to three days after the trade date of those transactions. Deposits exceed the margin requirement received from clients for their trading of commodities and futures contracts were payable on demand.

30 Bank loans

		Group	
		2015	2014
Secured bank loans	*Note*	**$ 95,000,000**	$ 82,400,000

Note:

The bank loans are repayable within one year, secured by the Group's land and building held for own use located in Hong Kong (see note 16) and bear interest at 1.6%-2.3% above HIBOR.

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

30 Bank loans (Continued)

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 38. As at 30 June 2015, none of the covenants relating to drawn down facilities had been breached.

31 Deferred taxation

(a) DEFERRED TAX LIABILITIES RECOGNISED

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

	Accelerated tax depreciation and revaluation	Tax losses	Total
At 1 July 2013	$ 14,970,511	$ (1,677,396)	$ 13,293,115
Charge to consolidated income statement	15,593	19,887	35,480
Charge to properties revaluation reserve	2,543,115	–	2,543,115
At 30 June 2014 and 1 July 2014	$ 17,529,219	$ (1,657,509)	$ 15,871,710
Charge/(credit) to consolidated income statement	282,143	(317,623)	(35,480)
Charge to properties revaluation reserve	4,100,732	–	4,100,732
At 30 June 2015	$ 21,912,094	$ (1,975,132)	$ 19,936,962

(b) DEFERRED TAX ASSETS NOT RECOGNISED

As at 30 June 2015, the Group has unused estimated tax losses of approximately $396 million (2014: $406 million). A deferred tax asset of $1,975,132 (2014: $1,657,509) has been recognised in respect of tax losses of approximately $12 million (2014: approximately $10 million). The Group has not recognised deferred tax asset in respect of the remaining tax losses of approximately $384 million (2014: $396 million) due to the unpredictability of future profit streams. The tax losses from subsidiaries incorporated in Hong Kong will not expire under current tax regulation while tax losses from PRC subsidiaries are subject to expiry periods of five years from the years in which the tax losses arose under the current tax legislation.

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

32 Share capital

	2015			2014		
	No. of shares		**Amount**	No. of shares		Amount
Authorised:						
Ordinary shares of $0.1 each	**10,000,000,000**	**$**	**1,000,000,000**	10,000,000,000	$	1,000,000,000
Issued and fully paid:						
Ordinary shares of $0.1 each	**5,231,304,882**	**$**	**523,130,488**	4,601,304,882	$	460,130,488

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follow:

		Number of shares in issue		**Issued capital**
At 1 July 2013	$	3,681,043,906	$	368,104,391
Issue of shares on open offer		920,260,976		92,026,097
At 30 June 2014 and 1 July 2014	$	4,601,304,882	$	460,130,488
Issue of shares on top-up subscription		630,000,000		63,000,000
At 30 June 2015	$	5,231,304,882	$	523,130,488

During the year, the movements in share capital were as follows:

Pursuant to the share placing agreement and the top-up subscription agreement dated 5 May 2015, the Chairman of the Company, Dr Jonathan Koon Shum Choi, placed 630,000,000 Company's shares ("Placing Shares") of $0.1 each to independent third party placees at a price of $0.34 per share. Upon the completion of the share placing, Dr Choi subscribed 630,000,000 Company's new shares of $0.1 each at a price of $0.34 per share.

The net proceeds arising from the top-up subscription was approximately $208 million. Approximately $31 million was used to finance the acquisition of an investment fund. Approximately $64 million was used to purchase investment properties. The remainder of approximately $113 million is intended to finance future investment opportunities to be identified by the Group and as general working capital of the Group.

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 2015 (Expressed in Hong Kong dollars)

32 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 2015 and 2014, 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 38). These subsidiaries complied with those requirements at all times during both the current and past financial years.

The Group monitors capital using a target gearing ratio of 0-35%, which is total borrowings divided by the shareholders' equity. Total borrowing comprises bank borrowing and shareholders' equity comprises all components of equity attributable to the owners of the Company. The gearing ratio at year-end was as follows:

	2015	2014
Total borrowing	**$ 95,000,000**	$ 82,400,000
Equity attributable to owners of the Company	**$ 952,696,192**	$ 733,026,070
Gearing ratio	**10%**	11%

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

33 Reserves

THE COMPANY

	Contributed surplus	Share premium	Share options reserve	Retained profits	Total
At 1 July 2013	$ 141,522,212	$ 91,625,739	$ 11,550,000	$ 1,066,174	$ 245,764,125
Profit for the year	–	–	–	12,955,372	12,955,372
Issue of shares on open offer	–	44,172,527	–	–	44,172,527
Share issue expenses	–	(3,333,881)	–	–	(3,333,881)
Release upon lapsed of share option	–	–	(11,550,000)	11,550,000	–
Dividends paid					
– 2013, final	(11,043,132)	–	–	–	(11,043,132)
– 2014, interim	–	–	–	(7,362,088)	(7,362,088)
At 30 June 2014	$ 130,479,080	$ 132,464,385	$ –	$ 18,209,458	$ 281,152,923
At 1 July 2014	**$ 130,479,080**	**$ 132,464,385**	**$ –**	**$ 18,209,458**	**$ 281,152,923**
Profit for the year	**–**	**–**	**–**	**5,181,035**	**5,181,035**
Issue of shares	**–**	**151,200,000**	**–**	**–**	**151,200,000**
Share issue expenses	**–**	**(7,763,793)**	**–**	**–**	**(7,763,793)**
Dividends paid					
– 2014, final	**(13,803,915)**	**–**	**–**	**–**	**(13,803,915)**
– 2015, interim	**–**	**–**	**–**	**(9,202,610)**	**(9,202,610)**
At 30 June 2015	**$ 116,675,165**	**$ 275,900,592**	**$ –**	**$ 14,187,883**	**$ 406,763,640**

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 bargain purchase gain arising from acquisitions prior to 1 July 2001.

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

33 Reserves (Continued)

SHARE OPTIONS RESERVE

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

EXCHANGE RESERVE

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

PROPERTIES REVALUATION RESERVE

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

INVESTMENTS REVALUATION RESERVE

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

CONTRIBUTED SURPLUS

The contributed surplus of the Company represents the difference of $271,022,350 between the fair value of the shares of the subsidiary acquired pursuant to the Reorganisation on 10 August 2000 over the nominal value of the Company's shares issued in exchange, net of $39,712,470 which was capitalised as a result of the bonus issue and dividend paid amounting to $114,634,715 in current and prior years.

The proposed final dividend for the year ended 30 June 2015 of $16,563,915 (2014: $13,803,915) will be paid from the contributed surplus after the approval by the shareholders at the forthcoming general meeting.

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

34 Contingent liabilities

	Company	
	2015	2014
Guarantees for banking facilities to subsidiaries	**$ 344,200,000**	$ 357,200,000
Total	**$ 344,200,000**	$ 357,200,000

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

35 Commitments

(a) CAPITAL COMMITMENTS

	Group	
	2015	2014
Contracted but not provided for – equipment	**$ –**	$ 25,000
Approved but not contracted for – equipment	**152,500**	–
	$ 152,500	$ 25,000

(b) COMMITMENTS UNDER OPERATING LEASES AS LESSEE

As at 30 June 2015 and 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and office equipment which fall due as follows:

	2015		2014	
	Rental premises	**Hired equipment**	Rental premises	Hired equipment
Not later than 1 year	**$ 2,261,000**	**$ 376,800**	$ 2,580,000	$ 376,800
Later than 1 year and not later than 5 years	**–**	**376,800**	2,150,000	753,600
	$ 2,261,000	**$ 753,600**	$ 4,730,000	$ 1,130,400

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

(c) OTHER COMMITMENT

As at 30 June 2015, the Group entered into an underwriting agreement in relation to an IPO and had a gross commitment of approximately $0.7 million (2014: $5.3 million).

Notes to the Consolidated Financial Statements
For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

36 Related party and connected party transactions

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

(a) KEY MANAGEMENT PERSONNEL REMUNERATION

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

		2015		2014
Fees	**$**	**2,400,000**	$	2,400,000
Salaries, commissions and other allowance		**6,060,000**		6,646,999
Bonuses		**1,580,000**		1,515,000
Retirement scheme contributions		**114,000**		114,500
Long services payment		**–**		271,192
	$	**10,154,000**	$	10,947,691

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

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

36 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	**2015**	2014
Brokerage commission earned on securities, options, futures and commodities dealing	*(a)*		
– fellow subsidiaries		**$ 3,048**	$ 5,972
– Group's directors and their close family members		**385,046**	331,661
Common office expenses recharged	*(b)*		
– a fellow subsidiary#		**1,371,000**	1,371,000
Consultancy and management fees received	*(c)*		
– a fellow subsidiary#		**540,000**	540,000
– an associate		**60,000**	65,000
Secretarial fee earned	*(d)*		
– fellow subsidiaries		**26,500**	26,500
– associates		**8,190**	8,190
– companies controlled by a Group's director		**–**	7,410
Interest income from IPO financing	*(e)*		
– a Group's director		**3,170**	672
Underwriting commission expenses	*(f)*		
– Group's directors		**–**	2,000,000
Referral fee paid	*(g)*		
– an associate		**115,000**	–

Notes:

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

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

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

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

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

(f) Underwriting commission expense was paid related to the open offer taken place in last year at a rate mutually agreed between the parties involved.

(g) The fee was mutually agreed between the parties involved.

The fee received from the fellow subsidiary is classified as a continuing connected party transaction. The transaction is fully exempt as all the percentage ratios (other than the profits ratio), is less than 5% (calculated utilising the largest cap during the term of the agreement) and the total consideration is less than $3,000,000.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

37 Particulars of significant subsidiaries

The following is a list of the significant subsidiaries as at 30 June 2015 and 2014:

Name	Place of incorporation/ operations	Issued and fully paid share capital	Principal activities	Proportion of nominal value of issued capital and voting rights held by the Company			
				Directly		Indirectly	
				2015	2014	**2015**	2014
Bill Lam & Associates Limited	Hong Kong	Ordinary shares $20	Provision of corporate services	**–**	–	**100%**	100%
Billion On Development Limited	Hong Kong	Ordinary shares $10,000	Property holding and securities investment	**–**	–	**100%**	100%
Kingsway Asset Management Group Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Festival Developments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–
Kingsway Capital Limited	Hong Kong	Ordinary shares $10,779,002	Provision of financial advisory services	**–**	–	**100%**	100%
Kingsway China Investments Limited	Hong Kong/People's Republic of China	Ordinary shares $2	Investment holding	**–**	–	**100%**	100%
Kingsway Financial Services Group Limited	Hong Kong	Ordinary shares $300,000,000	Securities, options and futures brokerage	**–**	–	**100%**	100%
Kingsway Group Services Limited	Hong Kong	Ordinary shares $100,000	Provision of management services	**–**	–	**100%**	100%
Kingsway Lion Spur Technology Limited	British Virgin Islands/ Hong Kong	Ordinary share US$1	Securities investment	**–**	–	**100%**	100%
Sunwah Kingsway Investments Limited	Hong Kong	Ordinary share $1	Investment holding	**–**	–	**100%**	100%

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

37 Particulars of significant subsidiaries (Continued)

Name	Place of incorporation/ operations	Issued and fully paid share capital	Principal activities	Proportion of nominal value of issued capital and voting rights held by the Company			
				Directly		Indirectly	
				2015	2014	**2015**	2014
Sunwah Capital Holdings Limited	Hong Kong	Ordinary share $1	Property holdings	**–**	–	**100%**	100%
Kingsway SW Asset Management Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$550,000	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%
SW Kingsway Capital Group Limited	British Virgin Islands	Ordinary shares US$38,750,000	Investment holding	**100%**	100%	**–**	–
Primo Results Limited	Hong Kong	Ordinary share $1	Securities investment	**–**	–	**100%**	100%
Best Advisory Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Primo Performance Limited	Hong Kong	Ordinary share $1	Investment holding	**–**	–	**100%**	100%
Dragon Tycoon (HK) Holdings Limited	Hong Kong	Ordinary share $1	Investment holding	**–**	–	**100%**	100%
Dragon Sphere (HK) Holdings Limited	Hong Kong	Ordinary share $1	Investment holding	**–**	–	**100%**	100%
Dragon Force Enterprises Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Dragon Sphere Holdings Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Dragon Tycoon Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Golden Bloom Developments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Magic Year Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

37 Particulars of significant subsidiaries (Continued)

Name	Place of incorporation/ operations	Issued and fully paid share capital	Principal activities	Proportion of nominal value of issued capital and voting rights held by the Company Directly 2015	Directly 2014	Indirectly 2015	Indirectly 2014
Ultimate Bloom Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Sunwah Kingsway Finance Limited	Hong Kong	Ordinary share $1	Investment holding	**–**	–	**100%**	100%
Kingsway SW Securities Limited	Hong Kong	Ordinary shares $2	Investment holding	**–**	–	**100%**	100%
Rich Smart Corporation Limited	Hong Kong	Ordinary share $1	Property holding	**–**	–	**100%**	–
CAP Management Limited	Cayman Islands	Ordinary shares US$10	Provision of Investment Advisory Services	**–**	–	**70%**	70%
MEC Asia Fund	Cayman Islands	N/A	Investment fund	**–**	–	**70.09%***	70.09%*

* The Company does not have any voting right in this subsidiary as the subsidiary is an investment fund.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong and PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	**Principal place of business**	**Number of subsidiaries 2015**	**2014**
Investment consulting	People's Republic of China	**4**	4
Investment holdings	Hong Kong	**–**	1
	British Virgin Islands	**1**	1
		1	2
Dormant	Hong Kong	**3**	2
	British Virgin Islands	**1**	1
		4	3
		9	9

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

37 Particulars of significant subsidiaries (Continued)

Festival Developments Limited and SW Kingsway Capital Group Limited are directly held by the Company. All other subsidiaries shown above are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

The table below shows the details of non-wholly owned subsidiary of the Group that have material non-controlling Interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015**	2014	**2015**	2014
MEC Asia Fund	Cayman Islands	**29.91%△**	29.91%△	**2,365,011**	85,879	**17,445,517**	15,080,506
Individually immaterial subsidiary with non-controlling interest				**211,953**	31,760	**504,245**	292,292
				2,576,964	117,639	**17,949,762**	15,372,798

△ The non-controlling interests do not have any voting right in the company as it is an investment fund.

Summarised financial information in respect of a Group's subsidiary that has material non-controlling interest is set out below. The summarised financial information below represent amounts before intragroup eliminations.

MEC Asia Fund

	2015	2014
Current assets	**$ 62,389,686**	$ 54,815,091
Current liabilities	**4,062,981**	4,395,477
Equity attributable to owners of MEC Asia Fund	**58,326,705**	50,419,614
Profit for the year	**7,907,091**	7,509,110

38 Financial instruments

The financial assets of the Group and the Company include financial assets at fair value through profit or loss, available-for-sale investments, and loans and receivables. The carrying amounts of which are set out in the consolidated statement of financial position and the corresponding disclosure notes. The financial liabilities of the Group represent financial liabilities at fair value through profit or loss, accounts and other payables and bank loans, details of which are set out in notes 27, 29 and 30 respectively.

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

(a) CREDIT RISK

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

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

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

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

The credit risk on listed debt securities is limited because most of the issuers are companies listed in Hong Kong. The Group is also exposed to credit risk with regards to a deposit into an escrow account maintained by a law firm, the details of which are disclosed in notes 21 and 40.

The maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is represented by the carrying value of each financial asset. Except for the financial guarantees given by the Company as set out in note 34, 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 34.

38 Financial instruments (Continued)

(a) CREDIT RISK (Continued)

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 other receivables are set out in note 24.

Bank balances are placed in various authorised institutions and the Directors of the Company consider the credit risk of such authorised institutions is low.

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

(b) LIQUIDITY RISK

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

38 Financial instruments (Continued)

(b) LIQUIDITY RISK (Continued)

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

	Group					
	Carrying amount	Repayment on demand or within one month	More than one month but within three months	More than three months but within one year	More than one year but within five years	Total undiscounted cash flows
As 30 June 2015						
Financial liabilities at fair value through profit or loss	**$ 1,940,000**	**$ 1,940,000**	**$ -**	**$ -**	**$ -**	**$ 1,940,000**
Net assets attributable to holders of non-controlling interests in consolidated investment fund	**17,445,517**	**17,445,517**	**-**	**-**	**-**	**17,445,517**
Accounts and other payables	**206,838,267**	**206,838,267**	**-**	**-**	**-**	**206,838,267**
Bank loans	**95,000,000**	**35,508,135**	**-**	**61,011,473**	**-**	**96,519,608**
	$ 321,223,784	**$ 261,731,919**	**$ -**	**$ 61,011,473**	**$ -**	**$ 322,743,392**
As 30 June 2014						
Financial liabilities at fair value through profit or loss	$ 1,530,000	$ 1,530,000	$ –	$ –	$ –	$ 1,530,000
Net assets attributable to holders of non-controlling interests in consolidated investment fund	15,080,506	15,080,506	–	–	–	15,080,506
Accounts and other payables	75,174,920	75,174,920	–	–	–	75,174,920
Bank loans	82,400,000	5,692,860	–	78,245,873	–	83,938,733
	$ 174,185,426	$ 97,478,286	$ –	$ 78,245,873	$ –	$ 175,724,159

The Company's policy is to regularly monitor its liquidity requirements including dividend payments to shareholders, payments of accrued expenses and bank loans to ensure that sufficient reserves of cash is maintained to satisfy its contractual and foreseeable obligations as they fall due. The financial guarantee contracts in note 34 represent the maximum amounts that could be required to be paid on demand if the guarantees were called upon in entirety.

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

38 Financial instruments (Continued)

(b) LIQUIDITY RISK (Continued)

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

	Company					
	Carrying amount	Repayment on demand or within one month	More than one month but within three months	More than three months but within one year	More than one year but within five years	Total undiscounted cash flows
As 30 June 2015						
Accounts and other payables	$ 1,755	$ 1,755	$ –	$ –	$ –	$ 1,755
Guarantees to subsidiaries	344,200,000	344,200,000	–	–	–	344,200,000
	$ 344,201,755	$ 344,201,755	$ –	$ –	$ –	$ 344,201,755
As 30 June 2014						
Accounts and other payables	$ 1,753	$ 1,753	$ –	$ –	$ –	$ 1,753
Guarantees to subsidiaries	357,200,000	357,200,000	–	–	–	357,200,000
	$ 357,201,753	$ 357,201,753	$ –	$ –	$ –	$ 357,201,753

(c) PRICE RISK

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

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

For sensitivity analysis purpose of listed equity investments, it is assumed that the market price of the Tracker Fund of Hong Kong increased/decreased in line with the movement of the Hang Seng Index. The risk exposure was quantified by comparing the Group's portfolio beta to the beta of Tracker Fund of Hong Kong. Assuming a 10% upward/ downward movement in the Hang Seng Index with all other variables held constant at the end of the reporting period, the Group's profit before tax would have increased/decreased by an estimated $13,300,000 (2014: $4,322,000).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

38 Financial instruments (Continued)

(c) PRICE RISK (Continued)

For listed debt securities, it is assumed that the yield of individual debt increased/decreased by 50 basis points and all other variables held constant at the end of the reporting period, the Group's profit before tax would have an estimated decrease/increase of $486,000 (2014: $509,000).

For unlisted investment fund, it is assumed that the unit price of the fund increased/decreased by 10% and all other variables held constant at the end of the report period, the Group's investments revaluation reserve would have an estimated increase/decrease of $3,197,000 (2014: $ Nil).

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

(d) FOREIGN EXCHANGE RISK

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

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

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

	USD	RMB	GBP	SGD	Others
At 30 June 2015					
Other financial assets	$ 390,763	$ –	$ –	$ –	$ –
Loan to an associate	–	–	1,218,130	–	–
Available-for-sale investments	39,967,090	–	–	–	–
Financial assets at fair value through profit or loss	23,748,245	24,441,823	892,546	–	–
Accounts, loans and other receivables	55,919,875	1,012,936	210,910	–	280,564
Cash and cash equivalents	22,646,077	11,193,371	5	570,566	1,191,076
Accounts and other payables	(51,946,852)	(104,228)	(27,651)	–	(91,102)
Net exposure arising from recognised assets and liabilities	$ 90,725,198	$ 36,543,902	$ 2,293,940	$ 570,566	$ 1,380,538

38 Financial instruments (Continued)

(d) FOREIGN EXCHANGE RISK (Continued)

	USD	RMB	GBP	SGD	Others
At 30 June 2014					
Other financial assets	$ 390,763	$ –	$ –	$ –	$ –
Loan to an associate	–	–	1,319,580	–	–
Available-for-sale investments	7,995,389	–	–	–	–
Financial assets at fair value through profit or loss	28,285,084	12,618,549	1,194,167	–	–
Accounts, loans and other receivables	9,332,883	565,890	191,969	–	350,128
Cash and cash equivalents	7,809,421	2,483,928	5	1,444,095	1,304
Accounts and other payables	(3,658,155)	(821,562)	(43,447)	(94,022)	(145,985)
Net exposure arising from recognised assets and liabilities	$ 50,155,385	$ 14,846,805	$ 2,662,274	$ 1,350,073	$ 205,447

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

	2015		2014	
	Increase/(decrease) in exchange rates	**Effect on profit before tax**	Increase/(decrease) in exchange rates	Effect on profit before tax
Renminbi, RMB	**+5%**	**1,827,195**	+5%	742,340
	–5%	**(1,827,195)**	–5%	(742,340)
Pound Sterling, GBP	**+5%**	**114,697**	+5%	133,114
	–5%	**(114,697)**	–5%	(133,114)
Singapore Dollar, SGD	**+5%**	**28,528**	+5%	67,504
	–5%	**(28,528)**	–5%	(67,504)

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

38 Financial instruments (Continued)

(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, secured bank loan and other lending activities undertaken. The short-term bank loans are mainly utilised for re-financing customers' borrowings which the Group has the legal capacity to quickly recall the margin loans or re-price the loans to an appropriate level and financing the proprietary trading activities. Interest rates paid by the Group are managed by the Finance Department with the aim of maximising the spread of interest consistent with liquidity and funding obligations.

Assuming that the Hong Kong market interest rates had been 50 basis points (2014: 50 basis points) higher and all other variables held constant at the end of the reporting period, the Group's profit before tax would have an estimated increase of $1,530,000 (2014: $907,000).

The Company is exposed to interest rate risk only to the extent that it earns interest on banks deposits and loans to subsidiaries. Assuming that the Hong Kong market interest rates had been 50 basis points (2014: 50 basis points) higher and all other variables held constant at the end of the reporting period, the Company's profit before tax would have an estimated increase of $1,962,000 (2014: $1,254,000).

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

(f) FINANCIAL ASSET AND FINANCIAL LIABILITIES OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statements of financial position; or
- not offset in the consolidated statements of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), Clearing Participant of China Securities Depository and Clearing Corporation Limited – Shenzhen Branch ("CSDC – SZ Branch") and brokers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC, CSDC – SZ Branch and brokers on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

38 Financial instruments (Continued)

(f) FINANCIAL ASSET AND FINANCIAL LIABILITIES OFFSETTING (Continued)

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, CSDC – SZ Branch, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC, CSDC – SZ Branch and brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

As at 30 June 2015

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
Financial assets						
Amounts due from clearing houses, brokers and brokerage clients	$ 382,270,302	$ (126,028,756)	$ 256,241,546	$ (72,335,374)	$ (159,021,407)	$ 24,884,765
Deposit placed with clearing houses	4,669,636	–	4,669,636	(4,669,636)	–	–

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
Financial liabilities						
Amounts due to clearing houses, brokers and brokerage clients	$ 324,983,618	$ (126,028,756)	$ 198,954,862	$ (75,065,010)	$ –	$ 123,889,852
Financial liabilities at FVTPL	1,940,000	–	1,940,000	(1,940,000)	–	–

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

38 Financial instruments (Continued)

(f) FINANCIAL ASSET AND FINANCIAL LIABILITIES OFFSETTING (Continued)

As at 30 June 2014

	Gross amounts of recognised financial assets after impairment	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Collateral received	Net amount
Financial assets						
Amounts due from clearing houses, brokers and brokerage clients	$ 160,961,990	$ (35,747,332)	$ 125,214,658	$ (11,510,524)	$ (42,594,550)	$ 71,109,584
Deposit placed with clearing houses	1,390,763	–	1,390,763	(1,390,763)	–	–

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Collateral pledged	Net amount
Financial liabilities						
Amounts due to clearing houses, brokers and brokerage clients	$ 90,427,292	$ (35,747,332)	$ 54,679,960	$ (11,371,287)	$ –	$ 43,308,673
Financial liabilities at FVTPL	1,530,000	–	1,530,000	(1,530,000)	–	–

For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

38 Financial instruments (Continued)

(f) FINANCIAL ASSET AND FINANCIAL LIABILITIES OFFSETTING (Continued)

The tables below reconcile the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position.

		2015		2014
Trade receivables				
Net amount of receivables as stated above	**$**	**256,241,546**	$	125,214,658
Amount not in scope of offsetting disclosures		**28,549,900**		28,031,710
Amount of total accounts, loans and other receivables as stated in note 24	**$**	**284,791,446**	$	153,246,368
Trade payables				
Net amount of payables as stated above	**$**	**198,954,862**	$	54,679,960
Amount not in scope of offsetting disclosures		**35,600,254**		46,304,008
Amount of total accruals, accounts and other payables as stated in note 29	**$**	**234,555,116**	$	100,983,968

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statements of financial position, both of which have been disclosed in the above tables, are measured as follows:

- amounts due from/to clearing houses, brokers and brokerage clients – amortised cost
- deposit placed with clearing houses – amortised cost
- financial liabilities at FVTPL – fair value

The collateral pledged by the Group which is eligible to set off the Group's financial liabilities at FVTPL in the event of default is measured at amortised cost and for the Group's financial liabilities is measured at fair value while the collateral pledged by customers which is eligible to set off the Group's receivable in the event of default is measured at fair value and for the Group's financial asset is measured at amortised cost. Other than this, the amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position or subject to enforceable master netting arrangements or similar agreements are measured on the same basis as the recognised financial assets and financial liabilities.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2015 (Expressed in Hong Kong dollars)

39 Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2015	30 June 2014		
Financial assets				
Listed equity securities	**$ 108,595,731**	$ 125,512,707	Level 1	Quoted price in an active market
Listed debt securities	**$ 48,621,027**	$ 39,282,481	Level 1	Quoted price in an active market
Unlisted investment funds	**$ 31,971,701**	$ –	Level 2	Dealing price of the fund derived from the net asset value of the fund
Financial liabilities				
Listed equity securities	**$ 1,940,000**	$ 1,530,000	Level 1	Quoted price in an active market

There were no transfers between Level 1 and 2 in the current and prior period.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

FAIR VALUE MEASUREMENT AND VALUATION PROCESS

The management is responsible in determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the financial instruments, the Group uses market-observable data to the extent it is available.

40 Key sources of estimation uncertainty

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

- **FAIR VALUE OF FINANCIAL ASSETS**

  For unlisted investment fund, the fair value is based on the net asset value of the investment fund reported to the Trustee by the administrators. Judgement is required when determining whether the net asset values can reflect the fair value of the financial assets. The valuation methodologies adopted by the Group are discussed in note 39.

- **IMPAIRMENT ALLOWANCES ON LOANS AND RECEIVABLES**

  The Group periodically reviews its loan portfolios to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in the consolidated income statement, the Group has individually evaluated each loan account for impairment after taking into account the value of each client account's underlying collateral and the latest financial position of those borrowers in default of settlement. Details of the impairment allowances are disclosed in note 24.

- **INCOME TAX**

  The Group's tax losses are mainly from a subsidiary engaging in proprietary trading activities. At the end of each reporting period and based primarily on the performance of the Hong Kong financial market, the Group estimates whether there will be sufficient future profits or taxable temporary differences available so that deferred tax assets should be recognised. No deferred tax assets will be recognised if the future profit streams are unpredictable. Details of the deferred tax are disclosed in note 31.

- **OTHER RECEIVABLE**

  As of the reporting date, the Group might not eventually recover the Escrow Funds in full, however, the management of the Group currently considers such eventual outcome is not likely after taking into account the nature of the escrow agreement and the opinion of Group's legal counsel. The details of other receivable together with management consideration are disclosed in note 21.

41 Parent and ultimate holding company

At 30 June 2015, the Directors consider the parent of the Group to be World Developments Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use. The Directors consider the ultimate holding company of the Group to be Sunwah International Limited, which is incorporated in Bermuda and listed on the Toronto Stock Exchange.

42 Event after the reporting period

On 24 June 2015, the Company entered into a placing agreement to place 290,000,000 new shares at $0.35 per share to an independent third party placee ("Placee"). The issue of 290,000,000 new shares took place on 13 July 2015 pursuant to the terms and conditions of the placing agreement. The Placee was required to pay $101,761,566, inclusive of relevant transaction cost, as the consideration of the placing. The Placee made partial payments of $12.6 million on 24 July 2015, $5 million on 9 September 2015 and approximately $0.75 million on 17 September 2015 and agreed to make the payment of the remaining amount plus interest on or before 30 October 2015.

Five Years Financial Summary

(Expressed in Hong Kong dollars)

	2011 '000 (restated)	2012 '000	2013 '000	2014 '000	**2015** **'000**
Results					
Turnover	$ 115,885	$ 104,938	$ 78,293	$ 106,296	$ **111,534**
Profit/(loss) attributable to owners of the Company	$ 46,573	$ (119,172)	$ (2,329)	$ 31,870	$ **9,086**
Basic earnings/(loss) per share (cents)	1.3	(3.2)	(0.06)	$ 0.85	$ **0.19**
Dividends paid and payable to owners of the Company attributable to the year	$ 37,915	$ 16,565	$ 18,405	$ 21,166	$ **25,767**
Assets and liabilities					
Total assets	$ 884,847	$ 759,353	$ 808,340	$ 950,635	$ **1,323,528**
Total liabilities	$ (198,753)	$ (222,304)	$ (234,480)	$ (217,317)	$ **(370,328)**
Net assets attributable to owners of the Company	$ 685,956	$ 537,049	$ 573,860	$ 733,026	$ **952,696**

Directory of Licensed Subsidiaries and Affiliates

Licensed Subsidiaries of Sunwah Kingsway Capital Holdings Limited

Kingsway Financial Services Group Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission

Exchange Participant of The Stock Exchange of Hong Kong

Broker Participant of Hong Kong Securities Clearing Company Limited

Exchange Participant of Hong Kong Futures Exchange

Participant of HKFE Clearing Corporation Limited

Options Trading Exchange Participant of SEHK

SEOCH Direct Clearing Participant

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

B-Shares Special Seat Holder of Shenzhen Stock Exchange

B-Shares Tangible Trading Seat Holder of Shanghai Stock Exchange

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

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

Kingsway Capital Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission

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

Kingsway SW Asset Management Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission

Kingsway SW Finance Limited

Money Lender registered with the HKSAR Government

Affiliated & Overseas Offices

Canada

– Kingsway Capital of Canada Inc.
10 King Street East, Suite 900, Toronto, Ontario, Canada M5C 1C3

China

– Kingsway Financial Services Group Ltd. – Beijing Representative Office

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

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

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

Ultimate Holding Company

Sunwah International Limited

A listed company on the Toronto Stock Exchange

Corporate Information

General Information

CHAIRMAN
Jonathan Koon Shum Choi

EXECUTIVE DIRECTOR
Michael Koon Ming Choi *(Chief Executive Officer)*

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

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

Legal Advisors to the Company

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

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

Auditor

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

Registered Office

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

Head Office and Principal Place of Business

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

Company Secretary
Vincent Wai Shun Lai

Authorised Representatives

Michael Koon Ming Choi
Vincent Wai Shun Lai

Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay 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
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Composition of Board Committees

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

NOMINATION COMMITTEE
Stanley Kam Chuen Ko *(Chairman)*
Jonathan Koon Shum Choi
Robert Tsai To Sze
Elizabeth Law

COMPENSATION COMMITTEE
Stanley Kam Chuen Ko *(Chairman)*
Jonathan Koon Shum Choi
Robert Tsai To Sze
Elizabeth Law

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

SUNWAH KINGSWAY
新華滙富

Sunwah Kingsway Capital Holdings Limited
新 華 滙 富 金 融 控 股 有 限 公 司

7th Floor, Tower One, Lippo Centre,
89 Queensway, Hong Kong
Tel : (852) 2283 7000 Fax : (852) 2877 2665
Email: pr@sunwahkingsway.com

www.sunwahkingsway.com