Notes to the Accounts

for the financial year ended 30 June 2005
(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.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The accounts have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, buildings held for own use, investment property and investments in marketable securities and other investments are stated at fair value.

(c) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") (collectively "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the preparation of these accounts.

The Group has commenced considering the potential impact of the new HKFRSs and has so far concluded that the adoption of HKFRS 2 "Share-based payment", HKFRS 3 "Business combinations", HKAS 1 "Presentation of financial statements", HKAS 27 "Consolidated and separate financial statements", HKAS 32 "Financial instruments: Disclosure and presentation", HKAS 36 "Impairment of assets" and HKAS 39 "Financial instruments: Recognition and measurement" will have impacts on the financial statements of the Group.

The Group will continue with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

(d) Basis of consolidation

(i) The Group has adopted merger accounting for the Reorganisation as detailed in Note 1. The consolidated accounts have been prepared as if the Group structure as at 10 August 2000, the date that the Company became the holding company of the companies comprising the Group, had been in existence prior to 10 August 2000.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Basis of consolidation (Continued)

(ii) The consolidated accounts include the accounts of the Company and its subsidiaries made up to 30 June. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/ negative goodwill, or goodwill/negative goodwill taken to capital reserve and which was not previously charged or recognised in the consolidated profit and loss account together with any related accumulated foreign exchange translation reserve.

Minority interests represent the interests of third parties outside the Group in the results and net assets of the Group.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(e) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(f) Associates and jointly controlled entity

An associate is a company, not being a subsidiary, in which its equity interest is held for the long-term and significant influence is exercised in its management.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Associates and jointly controlled entity (Continued)

The consolidated profit and loss account includes the Group's share of the post-acquisition results of associates and jointly controlled entity for the year. The consolidated balance sheet includes the Group's share of the net assets of the associates and jointly controlled entity and also goodwill/negative goodwill (net of accumulated amortisation/accumulated amount recognised as income) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associate or jointly controlled entity reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate or jointly controlled entity.

(g) Revenue recognition

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

(i) Brokerage and commission income is recognised on a trade date basis. 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. Transactions of investment in securities and related revenues are recorded on a trade date basis.

(ii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iii) Dividend income is recognised when the right to receive payment is established.

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

(h) Intangible assets

(i) Trading rights and exchange seats

The trading rights of Hong Kong Exchanges and Clearing Limited, the B-Shares Special Seat of Shenzhen Stock Exchange and the B-Shares Tangible Trading Seat of Shanghai Stock Exchange are recognised as intangible assets on the balance sheet.

These rights and seats are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised on a straight-line basis over ten years.

(ii) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets acquired at the date of acquisition. Goodwill on acquisitions occurring on or after 1 July 2001 is included as intangible assets and is amortised using the straight-line basis over its estimated useful life. Goodwill on acquisitions that occurred prior to 1 July 2001 was taken to capital reserve. Any impairment arising on such goodwill is accounted for in the profit and loss account.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets (Continued)

(ii) Goodwill/negative goodwill (Continued)

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill on acquisitions occurring on or after 1 July 2001 is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill not exceeding the fair values of the non-monetary assets acquired is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.

Negative goodwill on acquisitions that occurred prior to 1 July 2001 was taken to capital reserve.

(i) Fixed assets

(i) Investment property

Investment property is interest in land and building in respect of which construction work and development has been completed and which is held for its investment potential, any rental income being negotiated at arm's length.

Investment property is stated in the balance sheet at its open market value which is valued annually by independent qualified valuers. Separate values are not attributed to land and building. Increases in valuation are credited to the investment property revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations and thereafter are debited to profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment property revaluation reserve to the profit and loss account.

(ii) Buildings held for own use

Buildings held for own use are stated in the balance sheet at revaluation amount less subsequent accumulated depreciation and accumulated impairment loss. Revaluation is performed with sufficient regularity to ensure that the carrying amount of buildings does not differ materially from that which would be determined using fair value at the balance sheet date. Increase in valuation is credited to the revaluation reserve. Decrease in valuation is firstly offset against increase on earlier valuations in respect of the same buildings and is thereafter debited to the profit and loss account. Any subsequent increase is credited to the profit and loss account up to the amount previously debited. Upon the disposal of buildings, the relevant portion of the realised revaluation reserve in respect of previous valuations is transferred from the revaluation reserve to the retained profits.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Fixed assets (Continued)

(iii) Other fixed assets

Other fixed assets, comprising leasehold improvements, furniture and fixtures, office equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

The gain or loss on disposal of other fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(iv) Depreciation

Fixed assets other than investment property are stated at cost or valuation less accumulated depreciation and accumulated impairment losses, and are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

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%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(j) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. 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. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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 as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Investments

(i) Long term investments

Long term investments include club debentures, membership, equity securities and held-to-maturity debt securities which are intended to be held on a continuing basis for identified long term purposes.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments (Continued)

(i) *Long term investments (Continued)*

Long term investments other than held-to-maturity debt securities are stated at cost less provision for impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amounts of such investments will be reduced to their fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Held-to-maturity debt securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount/premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when the carrying amounts are not expected to be recovered and are recognised in the profit and loss account as an expense immediately.

(ii) *Marketable securities*

Marketable securities are listed securities and are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of marketable securities are included in trading gain/loss on investments and recognised in the profit and loss account. Profits or losses on disposal of marketable securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(iii) *Other investments*

Other investments represent investments other than long term investments and marketable securities. Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are included in trading gain/loss on investments and recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(iv) *Fair value*

Fair values for listed or quoted investments are determined based on quoted market prices less liquidity or other discounts as considered appropriate by the directors whereas fair values for unlisted or unquoted investments are estimated by the directors based on a number of factors such as financial position, industry and management analysis, results and expected cash flows, and transactions taken by third parties or an appraisal carried out by an independent appraiser.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes on the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes on the accounts when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognised.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plans

The expected cost of bonus payments are 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits (Continued)

(iii) Pension 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 $20,000 imposed by the MPF Schemes Ordinance. The contributions are charged to the profit and loss account as incurred.

(iv) Share options

The financial impact of share options granted by the Company is not recorded in these accounts until such time as the share options are exercised. Upon the exercise of the share options, proceeds from the resulting shares issued are recorded by the Company in the share capital and share premium account as appropriate.

(n) Income tax

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax (Continued)

(iii) (Continued)

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

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

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

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

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

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

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

    — the same taxable entity; or

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Translation of foreign currencies

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

The balance sheets of subsidiaries expressed in foreign currency are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average exchange rate for the year. Such exchange differences are dealt with as a movement in reserves.

(p) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease term.

(q) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and short term deposits with banks, less bank overdrafts and short term bank loans which form an integral part of the Group's cash management.

(r) Segment reporting

The Group has disclosed segment revenues and results as defined under SSAP 26 "Segment Reporting". In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. No geographical analysis is provided as less than 10% of the consolidated turnover, consolidated operating results and consolidated total assets of the Group are attributable to markets outside Hong Kong.

Segment assets comprise intangible assets, fixed assets, investments (excluding investments in subsidiaries), receivables, operating cash and other assets. Segment liabilities comprise operating liabilities but exclude taxation. Balances of non-interest bearing inter-segment current accounts which are employed by the Group for capital allocation purposes are excluded from segment assets and liabilities.

(s) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(Expressed in Hong Kong dollars)

3 TURNOVER

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

	2005	2004
Trading gain/(loss) on investments		
— marketable securities	**$ 66,667,490**	$ 110,200,710
— other investments	**13,479,655**	(1,651,260)
	$ 80,147,145	$ 108,549,450
Commission and fee income on		
— stock and futures brokerage	**$ 34,634,416**	$ 25,008,315
— underwriting and placements in equity capital market	**33,674,909**	30,171,382
— corporate finance	**14,494,194**	12,333,141
— asset management	**1,980,404**	2,236,170
— miscellaneous fee income	**6,893,479**	4,597,122
	$ 91,677,402	$ 74,346,130
Interest and dividend income		
— interest from		
— bank deposits	**$ 1,900,701**	$ 348,034
— margin financing	**6,437,925**	8,725,757
— other financing	**399,084**	1,881,805
— unlisted debt securities	**677,565**	381,815
— others	**230,150**	6,669
— dividends from listed equity securities	**6,753,116**	4,221,696
	$ 16,398,541	$ 15,565,776
	$ 188,223,088	$ 198,461,356

4 OTHER REVENUE

	2005	2004
Rental income from land and building	**$ 427,737**	$ 479,472
Gain on disposal of fixed assets	**4,080,000**	—
Gain on disposal of subsidiaries	**—**	25,043
Exchange gain	**932,132**	—
Write back of doubtful debts (net)	**2,529,341**	—
Negative goodwill on acquisition of a subsidiary	**—**	702,000
Other income	**1,001,047**	—
	$ 8,970,257	$ 1,206,515

(Expressed in Hong Kong dollars)

5 IMPAIRMENT LOSSES

	2005	2004
Impairment of		
— long term investments	$ 70,000	$ 20,250,000
— intangible assets	35,294	4,023,406
— goodwill previously taken directly to reserves *(Note 31)*	—	774,377
	$ 105,294	$ 25,047,783

6 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

		2005	2004
(a)	Finance costs:		
	Interest on:		
	— bank loans and overdrafts	$ 1,149,944	$ 1,146,149
	— other accounts payable	224,555	512,343
		$ 1,374,499	$ 1,658,492
(b)	Staff costs:		
	Salaries and other allowances	$ 76,763,631	$ 60,134,680
	Pension costs — defined contribution plan	1,166,592	1,159,875
		$ 77,930,223	$ 61,294,555
(c)	Other items:		
	Amortisation of intangible assets	$ 383,308	$ 776,786
	Charge for doubtful debts (net)	—	2,413,204
	Operating leases		
	— land and buildings	2,269,834	2,331,203
	— office equipment	441,600	430,400
	Depreciation	3,046,479	3,308,586
	Net loss on disposal of fixed assets	—	362,420
	Auditors' remuneration	1,614,344	1,494,319

(Expressed in Hong Kong dollars)

7 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(a) Taxation in the consolidated profit and loss account represents:

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

	2005	2004
Current tax — Provision for Hong Kong Profits Tax		
Tax for the year	**$ 3,423,349**	$ 2,426,098
Over-provision in prior years	**(15,832,319)**	(15,073,437)
	$ (12,408,970)	$ (12,647,339)
Deferred tax		
Origination and reversal of temporary differences	**$ 62,200**	$ (261,649)
Share of associates' taxation	**$ 617,297**	$ 65,132
	$ (11,729,473)	$ (12,843,856)

(b) Reconciliation between tax credit and accounting profit at applicable tax rates:

	2005	2004
Profit before tax	**$ 74,343,983**	$ 68,604,895
Tax at the domestic income tax rate of 17.5%	**$ 13,010,197**	$ 12,005,857
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,687,619**	(7,163,212)
Tax effect of non-deductible expenses	**1,340,419**	1,542,365
Tax effect of non-taxable revenue	**(13,628,362)**	(28,446,234)
Tax effect of utilisation of tax losses not previously recognised	**(2,606,586)**	(2,582,585)
Tax effect of tax losses not recognised	**3,284,081**	26,897,825
Over-provision in prior years	**(15,832,319)**	(15,073,437)
Others	**15,478**	(24,435)
Actual tax credit	**$ (11,729,473)**	$ (12,843,856)

(Expressed in Hong Kong dollars)

8 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

	2005	2004
Fees	$ 473,333	$ 3,260,000
Salaries, commissions and other allowances	10,183,511	7,930,620
Bonuses	6,552,314	2,045,910
Retirement scheme contributions	54,700	47,000
	$ 17,263,858	$ 13,283,530

Included in the directors' emoluments were fees of $393,333 (2004: $260,000) paid to the independent non-executive directors during the year.

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the section "Share options" in the report of directors. A director had exercised certain share options during the year.

Details of the emoluments of the directors are as follows:

	2005	2004
Jonathan Koon Shum Choi	$ —	$ —
William Ka Chung Lam	5,830,981	2,942,000
Michael Koon Ming Choi	1,812,000	1,227,910
Mary Yuk Sin Lam	2,434,344	7,009,287
Rebecca Yuk Fung Lau	3,947,200	—
Patrick Sun	1,760,000	—
Douglas Ching Shan Hui	—	—
Michael Wai Chung Wu	1,086,000	1,844,333
Robert Tsai To Sze	160,000	160,000
Raymond Wai Yung Wu	100,000	100,000
Stanley Kam Chuen Ko	133,333	—
	$ 17,263,858	$ 13,283,530

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

(Expressed in Hong Kong dollars)

8 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (Continued)

(b) Management's emoluments (excluding commissions)

The five individuals whose emoluments (excluding commissions) were the highest in the Group for the year include 2 (2004: 1) directors whose emoluments (excluding commissions) received in their capacity as directors of the Company are reflected in the analysis presented above. The emoluments (excluding commissions) payable to the remaining 3 (2004: 4) individuals during the year are as follows:

	2005	2004
Salaries, other allowances and benefits in kind	$ 4,815,000	$ 6,221,053
Bonuses	11,695,000	6,700,000
Retirement scheme contributions	36,000	46,000
	$ 16,546,000	$ 12,967,053

The emoluments are within the following bands:

	2005 Number of individuals	2004 Number of individuals
$2,500,001 — $3,000,000	—	1
$3,000,001 — $3,500,000	—	1
$3,500,001 — $4,000,000	1	2
$6,000,001 — $6,500,000	2	—

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $42,544,504 (2004: $82,931,288) which has been dealt with in the accounts of the Company.

10 DIVIDENDS

(a) Dividends attributable to the year

	2005	2004
Interim dividend paid of 0.33 cent per share (2004: 0.33 cent per share)	$ 10,719,139	$ 10,324,863
Final dividend proposed after the balance sheet date of 0.67 cent per share (2004: 0.67 cent per share)	21,763,100	21,694,894
	$ 32,482,239	$ 32,019,757

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

(Expressed in Hong Kong dollars)

10 DIVIDENDS (Continued)

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2005	2004
Final dividend in respect of the previous financial year, approved and paid during the year, of 0.67 cent per share (2004: 0.33 cent per share)	**$ 21,757,070**	$ 10,323,114

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of $84,606,854 (2004: $81,432,085).

The basic earnings per share is calculated based on the weighted average of 3,245,165,448 (2004: 3,143,599,518) ordinary shares in issue during the year. The diluted earnings per share for the current year is calculated based on 3,257,410,947 (2004: 3,197,820,861) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 12,245,499 (2004: 54,221,343) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

12 SEGMENT REPORTING

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

Investment in securities	:	Investment in securities for treasury and liquidity management
Merchant banking	:	Investment in structured deals including listed and unlisted equity and debt securities
Brokerage	:	Provision of stock and futures brokerage services, margin and other financing, and other related services
Investment banking	:	Provision of financial advisory services to corporate clients in connection with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and acting as underwriting and placing agent in the equity capital market
Private equity	:	Provision of asset management and related advisory services to private equity funds and private clients
Wealth management	:	Provision of wealth management services to authorised unit trusts, Mandatory Provident Funds ("MPF") and private clients

The Group has changed the identification of segments for disclosure of segment information and prior period segment information has been restated for comparative purposes. The directors consider that these changes result in a more appropriate presentation of events and transactions in the accounts.

(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING (Continued)

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.

No geographical analysis is provided as less than 10% of the consolidated turnover, consolidated operating results and consolidated total assets of the Group are attributable to markets outside Hong Kong.

	2005							
	Investment in securities	Merchant banking	Brokerage	Investment banking	Private equity	Wealth management	Others	Consolidated
Segmental profit and loss account								
Revenues								
Turnover	$ 46,857,362	$ 41,164,990	$ 48,100,624	$ 46,381,884	$ 1,533,399	$ 2,053,208	$ 2,131,621	$188,223,088
Inter-segment revenues	11,716	—	5,877,343	800,000	5,095,290	14,850,657	22,393,898	49,028,904
Other revenue	1,001,047	1,036,782	2,427,178	210,000	—	—	4,295,250	8,970,257
	$ 47,870,125	$ 42,201,772	$ 56,405,145	$ 47,391,884	$ 6,628,689	$ 16,903,865	$ 28,820,769	$246,222,249
Eliminations								(49,028,904)
Total revenues								$197,193,345
Segment results	$ 23,834,416	$ 31,805,126	$ 1,065,859	$ 12,824,553	$ 2,856,004	$ 5,789,624	$ (8,175,803)	$ 69,999,779
Share of results of associates	$ —	$ 3,540,096	$ 16,141	$ —	$ 859,967	$ —	$ —	4,416,204
Share of results of a jointly controlled entity	—	—	—	—	—	—	(72,000)	(72,000)
Profit before taxation								$ 74,343,983
Taxation credit								11,729,473
Profit after taxation								$ 86,073,456
Minority interests								(1,466,602)
Profit attributable to shareholders								$ 84,606,854
Segment assets and liabilities								
Segment assets	$251,065,431	$168,862,734	$695,454,373	$ 44,867,673	$ 3,612,396	$ 6,182,441	$ 84,193,575	$1,254,238,623
Interests in associates	—	32,571,134	6,845,623	—	1,190,050	—	—	40,606,807
Interests in a jointly controlled entity	—	—	—	—	—	—	—	—
								$1,294,845,430
Eliminations								(38,682,687)
Total assets								$1,256,162,743
Segment liabilities	$ 38,520,326	$ 294,513	$507,167,842	$ 33,952,577	$ 930,889	$ 1,212,335	$ 31,288,798	$613,367,280
Unallocated liabilities								14,970,418
								$628,337,698
Eliminations								(38,682,687)
Total liabilities								$589,655,011
Other segmental information								
Depreciation and amortisation of tangible and intangible assets for the year	$ —	$ 57,434	$ 1,701,126	$ 310,058	$ 48,903	$ 218,371	$ 1,093,895	$ 3,429,787
Impairment loss recognised in the profit and loss account	$ —	$ —	$ 35,294	$ —	$ —	$ —	$ 70,000	$ 105,294
Capital expenditure incurred during the year	$ —	$ —	$ 1,524,144	$ —	$ 18,000	$ 58,636	$ 12,760,806	$ 14,361,586

Notes to the Accounts
for the financial year ended 30 June 2005
(Expressed in Hong Kong dollars)

12 SEGMENT REPORTING (Continued)

	2004							
	Investment in securities	Merchant banking	Brokerage	Investment banking	Private equity	Wealth management	Others	Consolidated
Segmental profit and loss account								
Revenues								
Turnover	$ 47,417,734	$ 66,036,281	$ 41,073,725	$ 38,990,426	$ 1,593,077	$ 1,938,339	$ 1,411,774	$198,461,356
Inter-segment revenues	38,992	1,495,026	5,754,939	2,775,000	250,000	19,647,066	9,747,233	39,708,256
Other revenue	—	—	—	—	—	—	1,206,515	1,206,515
	$ 47,456,726	$ 67,531,307	$ 46,828,664	$ 41,765,426	$ 1,843,077	$ 21,585,405	$ 12,365,522	$239,376,127
Eliminations								(39,708,256)
Total revenues								$199,667,871
Segment results	$ 442,331	$ 55,659,280	$ (1,069,160)	$ 11,930,173	$ (937,524)	$ 12,297,159	$ (10,474,483)	$ 67,847,776
Share of results of associates	$ —	$ 451,905	$ 577,283	$ —	$ (44,069)	$ —	$ —	985,119
Share of results of a jointly controlled entity	—	—	—	—	—	—	(228,000)	(228,000)
Profit before taxation								$ 68,604,895
Taxation credit								12,843,856
Profit after taxation								$ 81,448,751
Minority interests								(16,666)
Profit attributable to shareholders								$ 81,432,085
Segment assets and liabilities								
Segment assets	$160,398,727	$226,161,394	$165,484,960	$ 7,316,042	$ 2,034,157	$ 6,727,089	$102,597,909	$670,720,278
Interests in associates	—	29,440,705	6,856,598	—	510,597	—	—	36,807,900
Interests in a jointly controlled entity	—	—	—	—	—	—	72,000	72,000
								$707,600,178
Eliminations								(26,037,085)
Total assets								$681,563,093
Segment liabilities	$ 19,943,322	$ —	$ 38,412,751	$ 1,716,389	$ 39,800	$ 918,612	$ 9,886,664	$ 70,917,538
Unallocated liabilities								27,550,804
								$ 98,468,342
Eliminations								(26,037,085)
Total liabilities								$ 72,431,257
Other segmental information								
Depreciation and amortisation of tangible and intangible assets for the year	$ —	$ 36,537	$ 2,028,145	$ 514,030	$ 81,412	$ 191,097	$ 1,234,151	$ 4,085,372
Impairment loss recognised in the profit and loss account	$ 20,070,000	$ —	$ 4,023,406	$ 180,000	$ —	$ —	$ 774,377	$ 25,047,783
Capital expenditure incurred during the year	$ —	$ —	$ 233,807	$ 36,976	$ —	$ 138,000	$ 2,692,665	$ 3,101,448

(Expressed in Hong Kong dollars)

13 INTANGIBLE ASSETS

	Group 2005	Group 2004
Trading rights of Hong Kong Exchanges and Clearing Limited	**$ 1,200,000**	$ 1,500,000
B-Shares Tangible Trading Seat of Shanghai Stock Exchange	**371,141**	429,743
B-Shares Special Seat of Shenzhen Stock Exchange	**360,000**	420,000
	$ 1,931,141	$ 2,349,743

Movements in intangible assets are as follows:

	Trading rights and exchange seats
Cost:	
At 1 July 2004 and 30 June 2005	$ 9,897,318
Accumulated amortisation and impairment losses:	
At 1 July 2004	$ 7,547,575
Charge for the year	383,308
Impairment loss	35,294
At 30 June 2005	**$ 7,966,177**
Net book value:	
At 30 June 2005	**$ 1,931,141**
At 30 June 2004	$ 2,349,743

(Expressed in Hong Kong dollars)

14 FIXED ASSETS

	Group						
	Buildings held for own use	Investment property	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
Cost or valuation:							
At 1 July 2004	$ —	$ 12,000,000	$ 5,414,357	$ 1,952,754	$ 9,294,878	$ 2,891,607	$ 31,553,596
Exchange adjustment	—	—	(5,725)	—	(924)	(2,389)	(9,038)
Additions	12,305,292	—	18,000	67,892	1,760,408	209,994	14,361,586
Disposals	—	(12,000,000)	—	—	—	(668,000)	(12,668,000)
Surplus on revaluation	784,848	—	—	—	—	—	784,848
At 30 June 2005	**$ 13,090,140**	**$ —**	**$ 5,426,632**	**$ 2,020,646**	**$ 11,054,362**	**$ 2,431,212**	**$ 34,022,992**
Accumulated depreciation:							
At 1 July 2004	$ —	$ —	$ 3,925,671	$ 1,508,268	$ 6,857,649	$ 869,683	$ 13,161,271
Exchange adjustment	—	—	(4,724)	—	(416)	(335)	(5,475)
Charge for the year	—	—	883,863	250,102	1,459,713	452,801	3,046,479
Disposals	—	—	—	—	—	(668,000)	(668,000)
At 30 June 2005	**$ —**	**$ —**	**$ 4,804,810**	**$ 1,758,370**	**$ 8,316,946**	**$ 654,149**	**$ 15,534,275**
Net book value:							
At 30 June 2005	**$ 13,090,140**	**$ —**	**$ 621,822**	**$ 262,276**	**$ 2,737,416**	**$ 1,777,063**	**$ 18,488,717**
At 30 June 2004	$ —	$ 12,000,000	$ 1,488,686	$ 444,486	$ 2,437,229	$ 2,021,924	$ 18,392,325
The analysis of cost or valuation at 30 June 2005 of the above assets is as follows:							
At cost	$ —	$ —	$ 5,426,632	$ 2,020,646	$ 11,054,362	$ 2,431,212	$ 20,932,852
At valuation	13,090,140	—	—	—	—	—	13,090,140
	$ 13,090,140	$ —	$ 5,426,632	$ 2,020,646	$ 11,054,362	$ 2,431,212	$ 34,022,992

The Group's interest in buildings held for own use represents two buildings located in the People's Republic of China (the "PRC") which are held on a medium lease of less than 50 years. The buildings were revalued at 30 June 2005 by RHL Appraisal Limited, an independent firm of chartered surveyors employed by the Group, on the basis of open market value. The revaluation surplus of $784,848 was credited to the revaluation reserve *(Note 31)*.

(Expressed in Hong Kong dollars)

15 OTHER ASSETS

	Group 2005	Group 2004
Statutory deposits	**$ 5,964,767**	$ 4,059,453
Others	**1,078,125**	1,078,125
	$ 7,042,892	$ 5,137,578

16 INVESTMENT IN SUBSIDIARIES

	Company 2005	Company 2004
Unlisted shares, at cost	**$ 271,222,358**	$ 271,222,358
Amounts due from subsidiaries	**$ 405,506,222**	$ 384,558,306
Less: Provision for doubtful debts	**(75,000,000)**	(75,000,000)
	$ 330,506,222	$ 309,558,306
	$ 601,728,580	$ 580,780,664

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the principal subsidiaries of the Group are set out in note 36.

17 INTERESTS IN ASSOCIATES

	Group 2005	Group 2004
Share of net assets	**$ 40,606,807**	$ 36,807,900

The following is a list of the principal associates, all of which are unlisted corporate entities, of the Group as at 30 June 2005:

Name	Place of incorporation/ operations	Principal activities	Particulars of issued shares	Interest indirectly held
KCG Capital Holdings Limited	British Virgin Islands	Investment holding	20,000,000 ordinary shares of $1 each	30%
KCG Securities Asia Limited	Hong Kong	Securities brokerage	20,000,000 ordinary shares of $1 each	30%
Sinochem Kingsway Asset Management Limited	Cayman Islands/ Hong Kong	Asset management	70,000 ordinary shares of US$1 each	50%
Sinochem Kingsway Capital Inc.	Cayman Islands	Investment holding	100,000 ordinary shares of $0.1 each	30%

(Expressed in Hong Kong dollars)

18 INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group 2005	Group 2004
Share of net assets	**$ —**	$ 72,000

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

Name	Place of incorporation/ operations	Principal activities	Particulars of issued shares	Interest indirectly held
ZJ Kingsway Finance Holdings Company Limited	Hong Kong	Provision of corporate consultancy services	1,000,000 ordinary shares of $1 each	30%

19 LONG TERM INVESTMENTS

	Group 2005	Group 2004
Unlisted held-to-maturity convertible bonds, at amortised cost *(Note)*	**$ 40,070,000**	$ 40,070,000
Less: Impairment	**(40,070,000)**	(40,070,000)
	$ —	$ —
Unlisted equity securities, at cost	**$ 100**	$ 100
The Chinese Gold and Silver Exchange Society Membership	**$ 280,000**	$ 280,000
Club debentures, at cost	**$ 1,694,000**	$ 1,694,000
Less: Impairment	**(250,000)**	(180,000)
	$ 1,444,000	$ 1,514,000
	$ 1,724,100	$ 1,794,100

Note: Certain convertible bonds held by the Group were exchanged prior to their maturity for new convertible bonds issued by the same issuer last year. The Group received incentives in the form of cash and listed securities from the issuer for the exchange. The amortised cost of the exchanged convertible bonds at the date of exchange net of the cash incentives received were considered by the Group to be the cost of those newly acquired convertible bonds. No value has been attributed to the listed securities received in these accounts as those listed securities have been suspended from trading since June 2003.

(Expressed in Hong Kong dollars)

20 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 and asset management activities. As at 30 June 2005, segregated clients' accounts not otherwise dealt with in these accounts amounted to $278,411,334 (2004: $155,259,734).

21 MARKETABLE SECURITIES

	Group	
	2005	2004
Listed equity securities, at fair value		
— in Hong Kong	**$ 309,658,778**	$ 310,377,617
— outside Hong Kong *(Note)*	**23,284,716**	15,176,612
	$ 332,943,494	$ 325,554,229
Market value of listed equity securities	**$ 357,040,327**	$ 339,849,421

Note:

In prior year, the balance included an amount of $7,950,614 of equity securities listed outside Hong Kong placed with an escrow agent as a deposit for a potential investment, details of which are disclosed in Note 33(c)(iv) on the accounts.

22 OTHER INVESTMENTS

	Group	
	2005	2004
Unlisted investments, at fair value		
— equity securities *(Note (a))*	**$ 31,825,700**	$ 2,100,000
— unit trust funds *(Note (b))*	**12,563,228**	—
— debt securities	**1,280,000**	10,000,000
	$ 45,668,928	$ 12,100,000

Notes:

(a) As at 30 June 2005, included in the balance was an unlisted investment stated at cost of $11,968,000. Subsequent to the balance sheet date, the investment was disposed of at cost. The balance as at 30 June 2004 represented unlisted warrants placed with an escrow agent as a deposit for a potential investment, details of which are disclosed in Note 33(c)(iv) on the accounts.

(b) The unit trust funds are authorised by the Securities and Futures Commission of Hong Kong and are launched and managed by a subsidiary of the Group.

(Expressed in Hong Kong dollars)

23 ACCOUNTS, LOANS AND OTHER RECEIVABLES

		Group		Company	
	Note	**2005**	2004	**2005**	2004
Accounts and loans receivable, net of provisions					
Amounts due from brokers and clearing houses	*(a)*	**$ 304,037,333**	$ 5,953,450	**$ —**	$ —
Amounts due from margin clients	*(b)*	**80,166,275**	91,259,685	**—**	—
Amounts due from cash clients	*(c)*	**24,491,360**	3,776,459	**—**	—
Loans receivable	*(d)*	**27,892,739**	5,256,420	**—**	—
Others		**9,819,094**	4,883,767	**—**	—
		$ 446,406,801	$ 111,129,781	**$ —**	$ —
Prepayments, deposits and other receivables	*(e)&(f)*	**77,602,354**	42,118,920	**188,000**	178,000
		$ 524,009,155	$ 153,248,701	**$ 188,000**	$ 178,000

The ageing analysis of accounts and loans receivable is as follows:

	Group		Company	
	2005	2004	**2005**	2004
Current and within one month	**$ 443,571,736**	$ 108,082,434	**$ —**	$ —
More than one month and less than three months	**1,174,317**	395,689	**—**	—
More than three months	**1,660,748**	2,651,658	**—**	—
	$ 446,406,801	$ 111,129,781	**$ —**	$ —

Notes:

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

The Group maintains clients' monies arising from the ordinary course of business of dealing in options and futures contracts in trust with HKFE Clearing Corporation Limited ("HKFECC"). At 30 June 2005, the Group held $5,667,809 (2004: $2,781,419) with HKFECC in trust for clients which was not dealt with in these accounts.

(b) Margin clients of the brokerage division are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates.

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

(Expressed in Hong Kong dollars)

23 ACCOUNTS, LOANS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(d) The credit terms for loans granted by the Group's brokerage division are set by management with reference to the financial background and the value and nature of collaterals pledged by the borrower.

(e) As at 30 June 2005, the balance includes an amount of $55,716,157 (2004: $Nil) placed with a property developer in the PRC as a deposit for the purchase of a property in Beijing, the PRC, details of which are disclosed in Note 33(c)(i) on the accounts.

(f) As at 30 June 2004, the balance included an amount of $35,838,862 placed with an escrow agent as a deposit for a potential investment, details of which are disclosed in Note 33(c)(iv) on the accounts.

24 AMOUNTS DUE FROM/(TO) RELATED COMPANIES AND ULTIMATE HOLDING COMPANY

The amounts due from/(to) related companies and ultimate holding company are unsecured, interest free and repayable on demand.

25 BANK LOANS AND OVERDRAFTS

	Group		Company	
	2005	2004	**2005**	2004
Unsecured bank overdraft	**$ 4,989,999**	$ 319,997	**$ —**	$ —
Secured bank overdraft *(Note (a))*	**—**	5,597,068	**—**	—
Unsecured bank loans	**15,000,000**	5,000,000	**15,000,000**	5,000,000
Secured bank loans *(Note (b))*	**45,075,176**	—	**—**	—
	$ 65,065,175	$ 10,917,065	**$ 15,000,000**	$ 5,000,000

The bank loans are repayable as follows:

	Group		Company	
	2005	2004	**2005**	2004
Within one year or on demand	**$ 58,546,030**	$ 10,917,065	**$ 15,000,000**	$ 5,000,000
More than one year, but not exceeding two years	**586,121**	—	**—**	—
More than two years, but not exceeding five years	**1,955,736**	—	**—**	—
After five years	**3,977,288**	—	**—**	—
	$ 65,065,175	$ 10,917,065	**$ 15,000,000**	$ 5,000,000
Less: amount due after one year shown under non-current liabilities	**(6,519,145)**	—	**—**	—
	$ 58,546,030	$ 10,917,065	**$ 15,000,000**	$ 5,000,000

(Expressed in Hong Kong dollars)

25 BANK LOANS AND OVERDRAFTS (Continued)

Notes:

(a) As at 30 June 2004, the Group's investment property with a carrying value of $12,000,000 has been pledged as security for the Group's bank overdraft facilities. Such investment property was disposed of to a third party on 22 December 2004 and its legal title was transferred to the third party on 31 May 2005, the date of completion.

(b) Certain banking facilities of the Group were secured by securities collateral from the Group's margin clients and the Group's marketable securities with market value of $285,171,767 (2004: $246,040,824) and $Nil (2004: $15,370,000) respectively. The banking facilities had been utilised by $38,000,000 as at 30 June 2005 (2004: $Nil).

As at 30 June 2005, the Group's buildings held for own use with a carrying value of $13,090,140 have been pledged as security for the Group's bank loan (2004: $Nil). The banking facilities had been utilised by $7,075,176 as at 30 June 2005.

26 OTHER SHORT TERM LOANS

The balances were unsecured, bearing interest at market rate and repayable within one year.

27 SHORT POSITIONS IN MARKETABLE SECURITIES

	Group	
	2005	2004
Listed equity securities *(Note)*		
— in Hong Kong	**$ 21,187,500**	$ —
Market value of listed equity securities	**$ 21,187,500**	$ —

Note:

In connection with a placing transaction where the Group acted as a placing agent, the issuer granted to the Group a call option which fully covers the Group's short positions arising from the over-allotment of the underlying securities. As at 30 June 2005, the Group recognised such short positions at the lower of the fair value of the underlying securities or the consideration payable by the Group upon exercising the call option.

(Expressed in Hong Kong dollars)

28 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	Group		Company	
	2005	2004	**2005**	2004
Accounts payable current and within one month				
Amounts due to brokers and clearing houses	**$ 25,853,040**	$ 59,670	**$ —**	$ —
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	**344,519,438**	17,079,578	**—**	—
Others	**7,973,077**	5,418,071	**14,850**	—
	$ 378,345,555	$ 22,557,319	**$ 14,850**	$ —
Other creditors and accruals	**29,266,363**	11,406,069	**652,746**	1,231,203
Amounts due to subsidiaries *(Note)*	**—**	—	**—**	70,245,572
	$ 407,611,918	$ 33,963,388	**$ 667,596**	$ 71,476,775

Note: The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

29 DEFERRED TAXATION

	Group
Accelerated depreciation allowances:	
At 1 July 2003	$ 652,779
Credited to profit and loss account	(261,649)
At 30 June 2004 and 1 July 2004	$ 391,130
Charged to profit and loss account	62,200
At 30 June 2005	**$ 453,330**

The Group has not recognised deferred tax assets in respect of tax losses of $213 million (2004: $208 million). The tax losses do not expire under current tax regulation.

(Expressed in Hong Kong dollars)

30 SHARE CAPITAL

	No. of shares	Amount
Authorised:		
Ordinary shares of $0.1 each	4,000,000,000	$ 400,000,000
Issued and fully paid:		
At 1 July 2003	3,125,846,327	$ 312,584,633
Exercise of share options *(Note (a))*	7,715,000	771,500
Share issue *(Note (b))*	102,631,579	10,263,158
At 30 June 2004 and 1 July 2004	3,236,192,906	$ 323,619,291
Exercise of share options *(Note (a))*	12,031,000	1,203,100
At 30 June 2005	**3,248,223,906**	**$ 324,822,391**

Notes:

(a) During the year, an aggregate of 12,031,000 ordinary shares were issued by the Company to the grantees upon their exercising of share options. The total cash proceeds received by the Company was $2,828,432. These shares rank pari passu with the existing shares.

Details of the equity compensation benefits are as follows:

The Company has a share option scheme which was adopted on 23 August 2000 whereby the directors of the Company are authorised, at their discretion, to invite full-time employees, including executive directors of the Company and its subsidiaries, to take up options to subscribe for shares of the Company. For options granted before 1 September 2001, the exercise price of options was determined by the Board and was not less than 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer. For options granted on or after 1 September 2001, the exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of grant and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant. Details of the share option scheme are disclosed under the section "Share Options" in the report of the directors.

(i) Movements in share options

	2005 Number	2004 Number
At 1 July of previous year	**249,235,000**	228,040,000
Issued	—	30,200,000
Exercised	**(12,031,000)**	(7,715,000)
Lapsed	**(161,254,000)**	(1,290,000)
At 30 June	**75,950,000**	249,235,000
Options vested and unexercised at 30 June	**50,456,664**	219,035,000

(Expressed in Hong Kong dollars)

30 SHARE CAPITAL (Continued)

Notes: (Continued)

(a) (Continued)

(ii) Terms of unexpired and unexercised share options at balance sheet date

Date of share options granted	Range of exercise periods	Exercise price per share $	2005 Number	2004 Number
Directors:				
28 September 2000	29 March 2001 to 28 February 2005	0.2333	—	121,500,000
31 August 2001	1 March 2002 to 31 August 2005	0.3233	**2,400,000**	19,500,000
20 December 2002	2 December 2003 to 1 June 2007	0.3833	—	30,000,000
4 April 2003	5 October 2003 to 4 April 2007	0.363	**24,000,000**	—
Employees:				
28 September 2000	28 March 2001 to 27 March 2005	0.2333	—	14,135,000
22 June 2001	22 December 2001 to 21 December 2005	0.3433	—	1,500,000
31 August 2001	1 March 2002 to 28 February 2006	0.3233	**21,810,000**	5,400,000
20 December 2002	2 October 2003 to 1 April 2007	0.3833	**3,000,000**	3,000,000
4 April 2003	5 October 2003 to 4 April 2007	0.363	—	24,000,000
11 March 2004	24 September 2004 to 7 April 2008	0.43	**24,740,000**	30,200,000
Total			**75,950,000**	249,235,000

(iii) Details of share options granted during the year, all of which were granted for $1 consideration

Exercise period	Exercise price $	2005 Number	2004 Number
24 September 2004 to 7 April 2008	0.43	—	30,200,000

(Expressed in Hong Kong dollars)

30 SHARE CAPITAL (Continued)

Notes: (Continued)

(a) (Continued)

(iv) Details of share options exercised during the year

Exercise date	Exercise price *$*	Proceeds received *$*	2005 Number
12 July 2004	0.2333	279,960	**1,200,000**
13 July 2004	0.2333	10,498	**45,000**
15 July 2004	0.2333	69,990	**300,000**
30 July 2004	0.2333	71,390	**306,000**
31 August 2004	0.2333	1,049,850	**4,500,000**
2 September 2004	0.2333	261,296	**1,120,000**
12 November 2004	0.3233	77,592	**240,000**
15 November 2004	0.2333	797,886	**3,420,000**
6 December 2004	0.2333	209,970	**900,000**
		2,828,432	**12,031,000**

(b) On 7 May 2004, 102,631,579 shares of $0.1 each were issued at a premium of $0.28 each to increase the general working capital of the Company. These shares rank pari passu with the existing shares.

31 RESERVES

	Group					
	Share premium *(Note (a))*	Special reserve *(Note (b))*	Capital reserve on consolidation *(Note (c))*	Exchange reserve *(Note (e))*	Retained profits *(Note (g))*	Total
At 1 July 2003	$ 361,776	$ 39,800,000	$ 62,644,511	$ (3,129)	$ 56,953,137	$ 159,756,295
Share premium arising on						
— exercise of share options	1,087,210	—	—	—	—	1,087,210
— share issue	28,736,842	—	—	—	—	28,736,842
Impairment of goodwill previously taken directly to reserves *(Note 5)*	—	—	774,377	—	—	774,377
Exchange differences on translation of accounts of overseas subsidiaries	—	—	—	(13,987)	—	(13,987)
Released upon disposal of subsidiaries	—	—	(27,348)	—	—	(27,348)
Profit attributable to shareholders	—	—	—	—	81,432,085	81,432,085
Dividends paid						
— 2003, final	—	—	—	—	(10,323,114)	(10,323,114)
— 2004, interim	—	—	—	—	(10,324,863)	(10,324,863)
At 30 June 2004	$ 30,185,828	$ 39,800,000	$ 63,391,540	$ (17,116)	$ 117,737,245	$ 251,097,497
Attributable to:						
— the Company and its subsidiaries	$ 30,185,828	$ 39,800,000	$ 63,391,540	$ (17,116)	$ 117,656,208	$ 251,016,460
— associates	—	—	—	—	309,037	309,037
— a jointly controlled entity	—	—	—	—	(228,000)	(228,000)
At 30 June 2004	$ 30,185,828	$ 39,800,000	$ 63,391,540	$ (17,116)	$ 117,737,245	$ 251,097,497

(Expressed in Hong Kong dollars)

31 RESERVES (Continued)

	Group						
	Share premium (Note (a))	Special reserve (Note (b))	Capital reserve on consolidation (Note (c))	Exchange reserve (Note (e))	Revaluation reserve (Note (f))	Retained profits (Note (g))	Total
At 1 July 2004	$30,185,828	$39,800,000	$63,391,540	$ (17,116)	$ —	$117,737,245	$251,097,497
Share premium arising on exercise of share options	1,625,332	—	—	—	—	—	1,625,332
Exchange differences on translation of accounts of overseas subsidiaries	—	—	—	18,369	—	—	18,369
Surplus on revaluation	—	—	—	—	784,848	—	784,848
Profit attributable to shareholders	—	—	—	—	—	84,606,854	84,606,854
Dividends paid							
— 2004, final *(Note (d))*	—	—	—	—	—	(21,757,070)	(21,757,070)
— 2005, interim	—	—	—	—	—	(10,719,139)	(10,719,139)
At 30 June 2005	**$31,811,160**	**$39,800,000**	**$63,391,540**	**$ 1,253**	**$ 784,848**	**$169,867,890**	**$305,656,691**
Attributable to:							
— the Company and its subsidiaries	$31,811,160	$39,800,000	$63,391,540	$ 1,253	$ 784,848	$166,059,946	$301,848,747
— associates	—	—	—	—	—	4,107,944	4,107,944
— a jointly controlled entity	—	—	—	—	—	(300,000)	(300,000)
At 30 June 2005	**$ 31,811,160**	**$39,800,000**	**$63,391,540**	**$ 1,253**	**$ 784,848**	**$169,867,890**	**$305,656,691**

(Expressed in Hong Kong dollars)

31 RESERVES (Continued)

	Company			
	Contributed surplus *(Note (h))*	**Share premium** *(Note (a))*	**Retained profits/ (accumulated losses)** *(Note (g))*	**Total**
At 1 July 2003	$ 231,309,880	$ 361,776	$ (72,164,907)	$ 159,506,749
Share premium arising on				
— exercise of share options	—	1,087,210	—	1,087,210
— share issue	—	28,736,842	—	28,736,842
Profit for the year	—	—	82,931,288	82,931,288
Dividends paid				
— 2003, final	(10,323,114)	—	—	(10,323,114)
— 2004, interim	—	—	(10,324,863)	(10,324,863)
At 30 June 2004	$ 220,986,766	$ 30,185,828	$ 441,518	$ 251,614,112
At 1 July 2004	$ 220,986,766	$ 30,185,828	$ 441,518	$ 251,614,112
Share premium arising on exercise of share options	—	1,625,332	—	1,625,332
Profit for the year	—	—	42,544,504	42,544,504
Dividends paid				
— 2004, final *(Note (d))*	(21,757,070)	—	—	(21,757,070)
— 2005, interim	—	—	(10,719,139)	(10,719,139)
At 30 June 2005	**$ 199,229,696**	**$ 31,811,160**	**$ 32,266,883**	**$ 263,307,739**

Notes:

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

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

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

(d) On 10 December 2004, final dividend for the year ended 30 June 2004 of 0.67 cent per ordinary share totalling $21,757,070 was paid to shareholders. The amount comprised prior year's proposed final dividend of $21,694,894 plus an additional final dividend of $62,176 paid for those shares issued on the exercise of share options during the period from 21 September 2004 to 30 November 2004.

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

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

(Expressed in Hong Kong dollars)

31 RESERVES (Continued)

Notes: (Continued)

(g) Retained profits represent:

	Group		Company	
	2005	2004	**2005**	2004
2005 proposed final dividend	**$ 21,763,100**	$ —	**$ 21,763,100**	$ —
2004 proposed final dividend *(Note (h))*	**—**	21,694,894	**—**	—
Others	**148,104,790**	96,042,351	**10,503,783**	441,518
	$ 169,867,890	$ 117,737,245	**$ 32,266,883**	$ 441,518

(h) The contributed surplus of the Company represents the difference of $271,022,350 between the fair value of the shares of the subsidiary acquired pursuant to the Reorganisation on 10 August 2000 over the nominal value of the Company's shares issued in exchange, net of $39,712,470 which was capitalised as a result of the bonus issue and dividend paid amounting to $10,323,114 in prior year.

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.

At 30 June, the Company's contributed surplus represented:

	2005	2004
2004 proposed final dividend *(Note (g))*	**$ —**	$ 21,694,894
Others	**199,229,696**	199,291,872
	$ 199,229,696	$ 220,986,766

32 CONTINGENT LIABILITIES

	Company	
	2005	2004
Guarantees for banking facilities to subsidiaries	**$ 283,877,000**	$ 247,200,000

33 COMMITMENTS

(a) Capital commitments for fixed assets

	Group	
	2005	2004
Contracted but not provided for	**$ 2,183,460**	$ —

(Expressed in Hong Kong dollars)

33 COMMITMENTS (Continued)

(b) Commitments under operating leases

(i) *As lessee*

As at 30 June 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Office equipment	
	2005	2004	**2005**	2004
Not later than 1 year	**$ 3,406,963**	$ 3,646,676	**$ 441,600**	$ 441,600
Later than 1 year and not later than 5 years	**67,577**	3,064,761	**1,177,600**	1,619,200
	$ 3,474,540	$ 6,711,437	**$ 1,619,200**	$ 2,060,800

(ii) *As lessor*

As at 30 June 2005, the Group had future minimum lease payments receivable under non-cancellable operating lease as follows:

	2005	2004
Not later than 1 year	**$ 10,400**	$ 321,200

(c) Other commitments

(i) The Group has entered into an agreement with a PRC property developer for the purchase of a property located in Beijing, the PRC. A deposit of approximately RMB59 million has been placed with the property developer. The Group has committed to pay the remaining balance of approximately RMB177 million (approximately $166 million equivalent) representing 75% of the total purchase consideration.

(ii) The Group has entered into an agreement with Shanxi Securities Company Limited and China Gaoxin Investment Group Corporation to establish a fund management business in the PRC. Pursuant to the agreement, an application has been submitted to China Securities Regulatory Commission to set up a joint venture fund management company ("JV Company") based in Shanghai. The Group is committed to inject an equivalent of RMB33 million for a 33% equity interest in the JV Company.

(iii) The Group has entered into an underwriting agreement with Sino Gas Group Limited ("Sino Gas") in relation to an open offer of certain new shares in Sino Gas. As at 30 June 2005, the Group had a net commitment to undertake approximately 1.7 billion shares in Sino Gas with an amount of approximately $34 million.

(Expressed in Hong Kong dollars)

33 COMMITMENTS (Continued)

(c) Other commitments (Continued)

(iv) In prior year, the Group had entered into agreements with a company for subscription to its shares and warrants. The subscription was conditional on the company being successfully listed on the Toronto Stock Exchange on or before 29 December 2004 and fulfilling other conditions as set out in the agreements. The deadline could be extended to 29 April 2005 if certain conditions were met. The consideration for subscription comprised listed shares and unlisted warrants of a company listed on the Toronto Stock Exchange and cash. The consideration shares, warrants and cash were held by third party lawyers as escrow agents until the conditions for subscription were fully satisfied. The transaction was completed in March 2005.

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operations to net cash inflow from operations

	2005	2004
Profit from operations	**$ 71,374,278**	$ 69,506,268
Interest income	**(9,645,425)**	(11,344,080)
Dividend income	**(6,753,116)**	(4,221,696)
	$ 54,975,737	$ 53,940,492
Interest received	**9,559,196**	11,344,080
Dividend received	**5,362,391**	4,221,696
Amortisation of intangible assets	**383,308**	776,786
Depreciation	**3,046,479**	3,308,586
Surplus on revaluation of investment property	**—**	(5,000,000)
Impairment losses	**105,294**	25,047,783
Gain on disposal of subsidiaries	**—**	(25,043)
Net (gain)/loss on disposal of fixed assets	**(4,080,000)**	362,420
(Write back of)/charge for doubtful debts (net)	**(2,529,341)**	2,413,204
Profit from operations before working capital changes	**$ 66,823,064**	$ 96,390,004
Increase in other assets	**(1,905,314)**	(108,193)
Increase in marketable securities	**(11,630,466)**	(35,739,087)
(Increase)/decrease in other investments	**(33,568,928)**	1,899,997
(Increase)/decrease in accounts, loans and other receivables	**(362,512,958)**	44,607,501
(Increase)/decrease in amounts due from related companies	**(14,696)**	62,306
Increase in amount due from ultimate holding company	**(54,709)**	—
Increase/(decrease) in accruals, accounts and other payables	**373,572,613**	(37,568,433)
Increase/(decrease) in short positions in marketable securities	**21,187,500**	(15,688,640)
Increase in amount due to a related company	**120,000**	—
Effect of foreign exchange rate changes	**21,932**	(13,005)
Net cash inflow from operations	**$ 52,038,038**	$ 53,842,450

(Expressed in Hong Kong dollars)

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

	2005	2004
Cash consideration received	$ —	$ 1,559,611
Less: Net assets disposed of:		
Cash and bank balances	$ —	$ (3,062,580)
Add: Minority interest	$ —	$ 1,500,664
Negative goodwill	—	27,348
	$ —	$ 1,528,012
Gain on disposal of subsidiaries	$ —	$ 25,043

(c) Analysis of net cash outflow in respect of the disposal of subsidiaries

	2005	2004
Consideration received in cash	$ —	$ 1,559,611
Cash and bank balances disposed of	—	(3,062,580)
Net cash outflow in respect of the disposal of subsidiaries	$ —	$ (1,502,969)

(d) Major non-cash transactions

In the prior year, the Group has exchanged certain convertible bonds for new convertible bonds issued by the same issuer *(Note 19)*.

(Expressed in Hong Kong dollars)

35 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the accounts, the following is a summary of significant related party and connected party (as defined in the Listing Rules) transactions which were carried out in the normal course of the Group's business:

	Note	**2005**	2004
Brokerage commission earned on securities and futures dealing	*(a)*	**$ 1,889,716**	$ 857,977
Common office expenses recharged	*(b)*	**251,400**	317,557
Consultancy and management fees received	*(c)*	**1,590,000**	1,296,000
Secretarial fee earned	*(d)*	**139,630**	182,148
Margin loan interest earned	*(e)*	**7,269**	7,147
Management fee paid	*(f)*	**(330,000)**	(315,000)
Consultancy fee paid	*(g)*	**(51,636)**	(72,000)
Purchase of fixed assets	*(h)*	**(15,000)**	(52,500)

Notes:

(a) Brokerage commission was received from fellow subsidiaries, the Group's directors and their associates in the ordinary course of the Group's business of dealing in securities and futures. Commission rates are set at the same level as those normally offered to third party clients or the applicable staff rate if the clients are directors or employees of the Group.

(b) Amounts represent recharge of office overheads and rental expenses to the ultimate holding company, fellow subsidiaries and an associated company. The allocation of office overheads and rental expenses is primarily based on the percentage of floor area occupied by each company.

(c) Consultancy and management fees were received from an associated company for the provision of management and administrative services. The fees mainly comprised a fixed monthly charge as agreed between the parties involved.

(d) Secretarial fee was received from associated companies, fellow subsidiaries and associated companies of two of the Group's directors for corporate secretarial services provided. The fee was charged at rates similar to those normally charged to third party clients.

(e) Margin loan interest was received from fellow subsidiaries, the Group's directors and their associates in the ordinary course of the Group's margin financing business. Interest rates are set at the same level as those normally offered to third party clients or the applicable staff rate if the clients are directors or employees of the Group.

(f) Management fee was paid to fellow subsidiaries for the provision of management and administrative services at a rate mutually agreed between the parties involved.

(g) Consultancy fee in relation to the provision of information technology advisory services was paid to fellow subsidiaries at a rate mutually agreed between the parties involved.

(h) The Group acquired certain fixed assets from fellow subsidiaries at considerations which were either based on the net book value of the fixed assets at the date of acquisition or at rates similar to those normally charged to third party clients.

(Expressed in Hong Kong dollars)

36 PARTICULARS OF SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2005:

Name	Place of incorporation/ operations	Issued and fully paid share capital	Principal activities	% of ordinary shares held by the Company Directly	Indirectly
Ambient Developments Limited	British Virgin Islands	Ordinary shares US$1	Securities investment	—	100%
Bill Lam & Associates Limited *	Hong Kong	Ordinary shares $20	Provision of corporate services	—	100%
Billion On Development Limited *	Hong Kong	Ordinary shares $10,000	Property holding	—	100%
Bright Process Technology Limited	British Virgin Islands	Ordinary share US$1	Securities investment	—	100%
Carville Resources Limited	British Virgin Islands	Ordinary share US$1	Securities investment	—	100%
Festival Developments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	100%	—
Goalfirst Investments Limited	British Virgin Islands	Ordinary share US$1	Securities investment	—	100%
Kingsway Asset Management Limited	British Virgin Islands	Ordinary share US$1	Provision of consultancy and asset management services	—	100%
Kingsway Capital Limited	Hong Kong	Ordinary shares $10,779,002	Provision of financial advisory services	—	100%
Kingsway China Investments Limited *	Hong Kong/ the People's Republic of China	Ordinary shares $2	Investment holding	—	100%

(Expressed in Hong Kong dollars)

36 PARTICULARS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ operations	Issued and fully paid share capital	Principal activities	% of ordinary shares held by the Company Directly	Indirectly
Kingsway E-Services Limited	Hong Kong	Ordinary shares $10,000,000	Electronic securities brokerage	—	100%
Kingsway Fund Management Limited	Hong Kong	Ordinary shares $47,000,000	Fund management	—	100%
Kingsway Group Services Limited	Hong Kong	Ordinary share $100,000	Provision of management services	—	100%
Kingsway Lion Spur Technology Limited	British Virgin Islands/ Hong Kong	Ordinary share US$1	Securities investment	—	100%
Kingsway SBF Investment Company Limited	British Virgin Islands	Ordinary shares US$10,000	Securities investment	—	51%
Kingsway SBF Investment Management Company Limited	British Virgin Islands/ Hong Kong	Ordinary share US$3,100	Provision of investment advisory services	—	51%
Kingsway SW Asset Management Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$375,000	Provision of investment advisory services	—	100%
Kingsway SW Finance Limited *	Hong Kong	Ordinary shares $50,000	Provision of loan services and financing	—	100%
Kingsway SW Futures Limited	Hong Kong	Ordinary shares $8,000,000	Futures and commodities brokerage	—	100%
Kingsway Financial Services Group Limited	Hong Kong	Ordinary shares $300,000,000	Securities brokerage	—	100%

36 PARTICULARS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ operations	Issued and fully paid share capital	Principal activities	% of ordinary shares held by the Company Directly	Indirectly
Ocean Cosmos Limited	British Virgin Islands	Ordinary share US$1	Securities investment	—	100%
Overseas Billion Limited	Hong Kong	Ordinary shares $1	Investment holding	—	100%
Rich Global Investments Limited	British Virgin Islands	Ordinary share US$1	Securities investment	—	100%
SW Kingsway Capital Group Limited	British Virgin Islands	Ordinary shares US$38,750,000	Investment holding	100%	—
Well Talent Limited	Hong Kong	Ordinary shares $1	Investment holding	—	100%

* Companies not audited by KPMG. The aggregate total assets and profit before taxation of these subsidiaries contributed to approximately 11% and 7% of the Group's total assets and profit before taxation respectively.

37 ULTIMATE HOLDING COMPANY

The directors regard Kingsway International Holdings Limited, a company incorporated in Bermuda and listed on the Toronto Stock Exchange, as being the ultimate holding company.