KingswayGroup

SW KINGSWAY CAPITAL HOLDINGS LIMITED

滙富金融控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0188)

ANNUAL RESULTS ANNOUNCEMENT

FOR THE YEAR ENDED 30 JUNE 2007

The Board of Directors of SW Kingsway Capital Holdings Limited ("the Company") is pleased to present the audited financial statements of the Company and its subsidiaries ("the Group") for the year ended 30 June 2007 together with comparative figures for the corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2007

	Note	**2007**	2006
		HK$	HK$
			(restated)
Continuing operations:			
Turnover	*2*		
Net gain on disposal of financial assets at fair value through profit or loss and remeasurement to fair value		**285,019,274**	38,036,890
Commission and fee income		**94,818,199**	89,541,906
Interest and dividend income		**32,239,072**	24,699,160
		412,076,545	152,277,956
Other income	*2*	**10,086,103**	2,242,552
		422,162,648	154,520,508
Valuation gains on investment properties		**4,538,858**	47,778,422
Gains on disposal of subsidiaries		**10,763,253**	–
Operating expenses			
Commission expenses		**(14,683,452)**	(18,472,885)
General and administrative expenses		**(150,337,762)**	(138,868,342)
Reversal of revaluation loss/(revaluation loss) on building held for own use		**548,409**	(548,409)
Finance costs		**(18,672,580)**	(18,330,647)
		254,319,374	26,078,647
Share of profits of associates		**7,885,582**	3,748,805
Share of profits of jointly controlled entities		**360,432**	–
Profit before taxation	*3*	**262,565,388**	29,827,452
Income tax	*4*	**(28,856,202)**	(1,988,185)
Profit for the year from continuing operations		**233,709,186**	27,839,267
Discontinued operations:			
Profit for the year from discontinued operations	*2, 5, 7(a)*	**2,186,617**	4,606,303
Profit for the year		**235,895,803**	32,445,570
Attributable to:			
Equity shareholders of the Company	*7(a)*	**207,536,982**	19,338,078
Minority interests		**28,358,821**	13,107,492
Profit for the year		**235,895,803**	32,445,570
Dividends payable to equity shareholders of the Company attributable to the year:	*6*		
Interim dividend paid during the year		**10,719,139**	10,719,139
Final dividend proposed after the balance sheet date		**22,737,567**	21,763,100
		33,456,706	32,482,239
Basic earnings per share	*7(a)*		
From continuing and discontinued operations		**6.4 cents**	0.6 cent
From continuing operations		**6.3 cents**	0.5 cent
From discontinued operations		**0.1 cent**	0.1 cent
Diluted earnings per share	*7(b)*	**N/A**	N/A

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2007

	Note	**2007** **HK$**	2006 HK$
Non-current assets			
Investment properties		**–**	280,357,490
Other properties and equipment		**24,017,665**	19,496,464
Intangible assets		**2,731,141**	2,731,141
Interests in associates		**50,740,533**	42,860,863
Interests in jointly controlled entities		**114,328,811**	–
Other financial assets		**9,029,110**	10,371,290
		200,847,260	355,817,248
Current assets			
Financial assets at fair value through profit or loss		**597,971,875**	290,814,281
Accounts, loans and other receivables	*8*	**1,180,216,096**	143,244,268
Amounts due from related companies		**17,804**	17,851
Tax prepaid		**3,395,834**	1,744,066
Cash and cash equivalents		**88,075,637**	141,604,670
		1,869,677,246	577,425,136
Current liabilities			
Financial liabilities at fair value through profit or loss		**83,700,000**	–
Accruals, accounts and other payables	*9*	**256,107,940**	114,798,856
Bank loans		**792,555,840**	5,142,752
Obligations under finance leases		**447,136**	–
Current taxation		**37,963,105**	9,589,116
		1,170,774,021	129,530,724
Net current assets		**698,903,225**	447,894,412
Total assets less current liabilities		**899,750,485**	803,711,660
Non-current liabilities			
Non-current bank loans		**5,505,570**	112,560,290
Non-current obligations under finance leases		**1,747,857**	–
Deferred tax liabilities		**515,955**	4,434,599
		7,769,382	116,994,889
NET ASSETS		**891,981,103**	686,716,771
CAPITAL AND RESERVES			
Share capital		**324,822,391**	324,822,391
Reserves		**483,668,946**	306,763,395
		808,491,337	631,585,786
Minority interests		**83,489,766**	55,130,985
TOTAL EQUITY		**891,981,103**	686,716,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") 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 financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

2 SEGMENT REPORTING

(a) By business segments

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

Investment in securities	:	Investment in securities for treasury and liquidity management
Merchant banking	:	Investment in structured deals including listed and unlisted equity, debt securities and investment properties
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
Asset Management	:	Provision of real estate services, asset management and related advisory services to private equity funds and private clients
Wealth management	:	Provision of wealth management services to authorised unit trust and MPF

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.

Net gains from revaluation of investment properties are included in the segment result for the merchant banking segment.

	2007									
	Continuing operations							Discontinued operations	Eliminations	Consolidated
	Investment in securities	Merchant banking	Brokerage	Investment banking	Asset management	Others	Total	Wealth management		
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Segmental income statement										
Turnover	165,650,345	112,277,953	71,306,557	41,323,526	16,469,890	5,048,274	412,076,545	2,998,840	(2,410,900)	412,664,485
Inter-segment revenue	14,744	214	2,646,781	5,062,500	12,557,819	34,860,305	55,142,363	8,434,447	–	63,576,810
Other revenue	(3,209)	(35,113)	7,546,874	49,467	12,241	2,515,843	10,086,103	(1,049)	(1,023,398)	9,061,656
	165,661,880	112,243,054	81,500,212	46,435,493	29,039,950	42,424,422	477,305,011	11,432,238	(3,434,298)	485,302,951
Eliminations							(55,142,363)	(8,434,447)	–	(63,576,810)
Total revenue							422,162,648	2,997,791	(3,434,298)	421,726,141
Segment results	126,254,236	94,092,064	317,721	16,684,342	18,188,126	(1,217,115)	254,319,374	2,186,617	–	256,505,991
Share of profits of associates	–	4,812,391	2,138,598	–	934,593	–	7,885,582	–	–	7,885,582
Share of profits of jointly controlled entities	–	360,432	–	–	–	–	360,432	–	–	360,432
Profit before taxation							262,565,388	2,186,617	–	264,752,005
Income tax										(28,856,202)
Profit after taxation										235,895,803
Segment assets and liabilities										
Segment assets	296,083,211	251,487,417	1,227,620,777	88,750,712	3,018,589	37,139,876	1,904,100,582	–	–	1,904,100,582
Interests in associates	–	39,109,163	8,905,326	–	2,726,044	–	50,740,533	–	–	50,740,533
Interests in jointly controlled entities	–	114,328,811	–	–	–	–	114,328,811	–	–	114,328,811
Unallocated assets										3,395,834
										2,072,565,760
Eliminations										(2,041,254)
Total assets										2,070,524,506
Segment liabilities	17,659,191	4,866,616	990,849,675	93,485,101	6,148,640	29,096,374	1,142,105,597	–	–	1,142,105,597
Unallocated liabilities										38,479,060
										1,180,584,657
Eliminations										(2,041,254)
Total liabilities										1,178,543,403
Other segmental information										
Depreciation of tangible assets for the year	–	–	977,288	148,067	46,497	1,821,030	2,992,882	–	–	2,992,882
Reversal of revaluation loss recognised in the income statement	–	–	–	–	–	548,409	548,409	–	–	548,409
Capital expenditure during the year	–	–	1,225,420	30,221	–	3,552,305	4,807,946	–	–	4,807,946
(Reversal of)/charge for impairment losses	–	–	(7,347,330)	13,429	–	46,710	(7,287,191)	–	–	(7,287,191)

	2006 (restated)									
	Continuing operations							Discontinued operations	Eliminations	Consolidated
	Investment in securities	Merchant banking	Brokerage	Investment banking	Asset management	Others	Total	Wealth management		
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Segmental income statement										
Turnover	20,612,549	22,047,936	57,774,468	41,304,433	6,022,454	4,516,116	152,277,956	2,071,989	(3,998,928)	150,351,017
Inter-segment revenue	251,450	–	6,400,492	–	8,894,486	26,453,403	41,999,831	16,044,367	–	58,044,198
Other revenue	54,929	–	297,542	243,259	200	1,646,622	2,242,552	–	(612,595)	1,629,957
	20,918,928	22,047,936	64,472,502	41,547,692	14,917,140	32,616,141	196,520,339	18,116,356	(4,611,523)	210,025,172
Eliminations							(41,999,831)	(16,044,367)	–	(58,044,198)
Total revenue							154,520,508	2,071,989	(4,611,523)	151,980,974
Segment results	(4,840,634)	33,589,696	(6,177,423)	13,221,559	1,750,048	(11,464,599)	26,078,647	4,606,303	–	30,684,950
Share of profits/(losses) of associates	–	3,226,298	(78,895)	–	601,402	–	3,748,805	–	–	3,748,805
Profit before taxation							29,827,452	4,606,303	–	34,433,755
Income tax										(1,988,185)
Profit after taxation										32,445,570
Segment assets and liabilities										
Segment assets	135,558,562	458,836,110	188,731,641	7,234,911	6,649,709	85,610,376	882,621,309	11,511,039	–	894,132,348
Interests in associates	–	34,302,683	6,766,728	–	1,791,452	–	42,860,863	–	–	42,860,863
Unallocated assets										1,744,066
										938,737,277
Eliminations										(5,494,893)
Total assets										933,242,384
Segment liabilities	11,235,105	112,615,119	78,611,033	5,099,332	4,303,377	18,812,509	230,676,475	7,320,316	–	237,996,791
Unallocated liabilities										14,023,715
										252,020,506
Eliminations										(5,494,893)
Total liabilities										246,525,613
Other segmental information										
Depreciation of tangible assets for the year	–	–	1,016,738	159,793	15,881	1,250,680	2,443,092	167,460	–	2,610,552
Revaluation loss recognised in the income statement	–	–	–	–	–	548,409	548,409	–	–	548,409
Capital expenditure during the year	–	232,579,068	1,443,644	–	43,131	1,819,769	235,885,612	–	–	235,885,612
(Reversal of)/charge for impairment losses	–	–	6,442,302	578,000	15,671	(109,010)	6,926,963	–	–	6,926,963

(b) By geographical segments

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

	Turnover		Assets		Capital expenditure	
	2007	2006	**2007**	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
		(restated)				
Hong Kong	**430,211,061**	137,100,540	**1,837,142,921**	486,092,411	**4,778,422**	1,565,704
The People's Republic of China (the "PRC")	**2,621,995**	2,363,286	**22,074,750**	306,891,013	**29,524**	234,319,908
Japan	**(18,086,240)**	13,182,771	**32,117,975**	47,967,047	**–**	–
Other markets	**(2,670,271)**	(368,641)	**12,764,936**	41,670,838	**–**	–
	412,076,545	152,277,956	**1,904,100,582**	882,621,309	**4,807,946**	235,885,612

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

3 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after crediting/(charging):

	2007	2006
	HK$	HK$
		(restated)
Dividends from listed equity securities	**5,385,737**	5,542,607
Interest expenses on:		
– bank loans and overdrafts	**(14,096,528)**	(9,311,678)
– other accounts payable	**(4,321,079)**	(5,805,285)
– obligations under finance leases	**(251,882)**	–
– other	**(3,091)**	(3,213,684)
Staff costs	**(104,092,110)**	(77,399,465)
Reversal of/(charge for) impairment losses for bad and doubtful debts (net)	**7,287,191**	(7,106,963)
Operating lease charges		
– land and buildings	**(8,189,504)**	(1,953,432)
– office equipment	**–**	(441,600)
Share of associates' taxation	**(245,675)**	(128,519)
Depreciation	**(2,992,882)**	(2,443,092)
Net loss on disposal of equipment	**(3,427)**	(17,911)
Auditors' remuneration	**(1,735,268)**	(1,775,800)

4 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year.

	2007	2006
	HK$	HK$
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**28,373,989**	2,712,781
Under/(Over) provision in prior years	**400,000**	(4,705,865)
	28,773,989	(1,993,084)
Deferred tax		
Origination and reversal of temporary differences	**82,213**	3,981,269
	28,856,202	1,988,185

5 DISCONTINUED OPERATIONS

On 10 January 2007, Kingsway Asset Management Limited ("KAM"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding with a third party buyer to dispose of its entire shareholding interest in Kingsway Fund Management Limited ("KFM"). KFM is a subsidiary principally engaging in the wealth management business. The disposal was completed and the Group's wealth management business segment was discontinued on 31 March 2007, on which date control of KFM was passed.

An analysis of the results of the wealth management business segment is set out below:

	2007	2006
	HK$	HK$
Discontinued operations:		
Revenue	**11,432,238**	18,116,356
Expenses	**9,245,621**	13,510,053
Profit before taxation from discontinued operations	**2,186,617**	4,606,303
Income tax	**–**	–
Profit for the year from discontinued operations	**2,186,617**	4,606,303

6 DIVIDENDS PAYABLE TO EQUITY SHAREHOLDERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

	2007 HK$	2006 HK$
Interim dividend paid of 0.33 HK cent per share (2006: 0.33 HK cent per share)	**10,719,139**	10,719,139
Final dividend proposed after the balance sheet date of 0.7 HK cent per share (2006: 0.67 HK cent per share)	**22,737,567**	21,763,100
	33,456,706	32,482,239

7 EARNINGS PER SHARE

(a) Basic earnings per share

From continuing and discontinued operations

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$207,536,982 (2006: HK$19,338,078) and on 3,248,223,906 (2006: 3,248,223,906) ordinary shares in issue during the year.

From continuing operations

	2007 HK$	2006 HK$
Earnings for the year attributable to equity shareholders of the Company	**207,536,982**	19,338,078
Less: Earnings for the year from discontinued operations	**(2,186,617)**	(4,606,303)
	205,350,365	14,731,775

The denominators used are the same as those detailed above for basic earnings per share from continuing and discontinued operations.

From discontinued operations

Basic earnings per share for discontinued operations is 0.1 HK cent (2006: 0.1 HK cent) which is calculated based on the profit for the year from discontinued operations of HK$2,186,617 (2006: HK$4,606,303). The denominators used are the same as those detailed above for basic earnings per share from continuing and discontinued operations.

(b) Diluted earnings per share

Diluted earnings per share for the current and prior years have not been disclosed as the outstanding share options have no dilutive effects on the basic earnings per share for the year, as their exercise prices were above the average market price of the shares during the year.

8 ACCOUNTS, LOANS AND OTHER RECEIVABLES

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

	2007	2006
	HK$	HK$
Current and within one month	**1,149,709,675**	132,713,094
More than one month and within three months	**1,240,135**	592,683
More than three months	**63,735**	1,083,901
	1,151,013,545	134,389,678

Majority of the Group's debtors arises from the business of dealing in securities. These debts are required to be settled on the settlement day under the relevant market practices or exchange rules, except for the amounts due from margin clients which are repayable on demand and secured by securities pledged as collateral to the Group.

9 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

Accruals, accounts and other payables included amounts due to brokers and clearing houses, clients' accounts payable and other accounts payable of HK$186,766,536 (2006: HK$74,481,668) which are current and payable within one month.

MANAGEMENT DISCUSSION AND ANALYSIS

The Market

The Hong Kong market benefited from ample liquidity and favourable policy initiatives introduced by the People's Republic of China ("PRC") government. The PRC securities market was one of the best performing markets during the fiscal year ended 30 June 2007 (the "Period"). Although new listings of major PRC state owned companies slowed down towards the end of the Period, the announcement of the Qualified Domestic Institutional Investors ("QDII") arrangements provided a big boost for the market. The Hang Seng Index as well as market turnover continued to rise to new heights during 2007.

The Hang Seng Index closed at 21,773 at end of June 2007, compared with 16,268 at the end of June 2006 and 19,965 at the end of December 2006. 2006 was a record year for the Hong Kong stock market. The amount of funds raised from Initial Public Offerings ("IPOs") and market turnover reached record highs. The bull run continued into 2007. The average monthly turnover on the Main Board during the six months ended June 2007 was approximately HK$1,183 billion, which was 60% higher than the previous six months ended December 2006. Funds raised from IPOs on the Main Board in the first half of 2007 amounted to HK$98 billion. The market was excited by the QDII arrangements announced by the PRC government, since the Hong Kong market is the only approved foreign market currently available to PRC investors.

The market experienced much higher volatility in July and August 2007. Increased concerns on the US subprime markets and the liquidity squeeze that followed affected the global market. The unwinding of the Japanese Yen carry trade also contributed to the increased volatility. Major central banks reacted by injecting liquid funds into the financial system. The underlying economies remain fundamentally sound. The Hong Kong market recovered quickly due to policy incentives from the PRC government, such as the new rules allowing individual investors to invest in Hong Kong listed shares. The market is likely to remain volatile in the coming months until the full impact of the US subprime crisis is clear.

Financial Highlights

The profit for the Period was HK$236 million, as compared to HK$32 million for the same period last year. Profit attributable to shareholders for the Period was HK$208 million, as compared to HK$19 million for the same period last year.

Net gain on the disposal of financial assets and the remeasurement to fair value increased from HK$38 million in the last fiscal year to HK$285 million for this fiscal year. Commission and fee income from the Client Services Group increased from HK$90 million to HK$95 million. The effect of the reduction in brokerage turnover and income from our clients following the reduction of trading spreads in July 2006 was overshadowed by the bull market extending into 2007. Income from corporate finance increased following the successful listing of a company sponsored by Kingsway before the end of our financial year. Interest income and related finance costs increased as a result of a very active IPO financing market combined with higher interest rates compared with the same period of the last fiscal year.

The increase in general and administrative costs was mainly due to higher discretionary staff costs in line with good performance, as well as higher office rental costs following the lease renewal in 2006. This increase was partly offset by lower non-recurring legal costs in relation to the mortgage arrangement for the investment properties last year, and the recovery of doubtful debts provided for last year.

Last year, the revaluation of the investment properties held in Beijing resulted in a HK$48 million gain, with a corresponding deferred tax provision of approximately HK$4 million. Because of the macro-economic austerity measures introduced in July 2006, only a small valuation gain was noted when comparing the valuation at disposal with the end of June position, and the gain was mainly due to the appreciation of the RMB.

As announced in September 2006, half of the beneficial interest in the properties was sold to the Marubeni Corporation. The transaction was completed in October and there was a gain of approximately HK$2 million on the disposal of subsidiaries. In addition, a gain of approximately HK$9 million was realised following the completion of the disposal of the Fund Management operations at the end of March 2007. The tax provision increased from HK$2 million to HK$29 million and resulted in a higher effective tax rate. This trend will continue since many operating companies have fully utilised any relevant tax losses brought forward.

Brokerage

Total revenue of the division was HK$81.5 million for the fiscal year, representing a 26% increase over the same period last year.

During the first few months of the fiscal year, the performance of the division was negatively affected by narrowed trading spreads in July 2006. However, with the large number of IPOs and the resultant increase in market activities, commission and interest income picked up in the later part of the financial year. The division is keen to diversify its product portfolio and will offer gold bullion and stock options trading when they have completed the set up of necessary infrastructure and related tests. The industry faces strong competition from banks and the Group will keep improving its service standards in order to maintain its competitive edge.

Kingsway was again ranked second in the category of "Best Broker in Hong Kong" by the Asiamoney Brokers Poll announced in November 2006.

Investment banking

Total revenue of the division was HK$46.4 million for the fiscal year, representing a 12% increase over the same period last year.

With the completion of an IPO in the last fiscal quarter, the division was able to produce strong results for the year. The division also identified a number of key investment opportunities for the Group which led to higher inter-segment revenues. The divisions now have better coordination, and this synergy will contribute to better performance in the future. The IPO market is still very competitive, and the Group will look for opportunities in secondary placement and corporate advisory projects to stabilise the revenue stream.

Asset Management

In January 2007 the Group announced the sale of its unit trusts and MPF business to the Taifook Securities Group. The transaction was completed at the end of March 2007. The related results are separately disclosed as discontinued operations in accordance with generally accepted accounting principles.

The relatively small scale of our public fund management operations made it difficult to compete with other large mutual funds companies or MPF service providers in the market. The division had achieved significant results in producing good returns for investors and providing excellent services to our clients. However, the Group evaluated the costs and benefits of continuing to run the business, as well as the need to allocate management resources to activities to maintain a competitive edge, and made a strategic decision to sell the public funds business.

After the disposal of the public funds business, the Group re-organised its structure and renamed the Private Equity division the Asset Management division. Any future asset management business for private clients will also be managed by this division.

The division contributed revenues of HK$29.0 million, representing a 95% increase over the same period last year.

Sinochem Kingsway Capital Inc., a private equity fund co-sponsored with Sinochem Group, is looking for suitable investment opportunities. Kingsway SBF Investment, another private equity fund co-sponsored with Softbank AM Corporation, is now fully invested. The investment performance of this fund was very good and contributed to higher management and performance fees for the division. Further fund raising will be arranged if there are new investment opportunities.

Following the July 2006 announcement of the new measures to slow down foreign investments in PRC properties, the Group has evaluated the latest market dynamics and decided to focus on the development of the investment properties in Beijing jointly owned by the Marubeni Corporation. The Real Estate Services Department may expand again in the future if there are suitable opportunities.

Investment in Securities and Merchant Banking

These divisions contributed HK$277.9 million in revenue, which represented an approximately 5.5 times increase over the same period last year.

The Group benefited from the bull run in the Hong Kong market. A number of strategic investments performed very well during the period. In view of the recent increased volatility, the investment managers are reviewing the composition of our investment portfolio to balance the risks and returns.

The investment properties held by the jointly controlled entities have been renovated, and are now being marketed to the expatriate communities in Beijing. The Group expects an increase in occupancy after more publicity events are held.

Outlook

As we look forward to the end of 2007 and beyond, prospects for the global economy remain steady and China's rapid development will continue to drive worldwide economic growth. While the pace of growth in the United States is forecast to slow down, reductions of interest rates will be more likely. Strong corporate earnings in the PRC are expected to continue in the year to come. We see opportunities to further increase our market share in our existing areas of focus.

We want to build the best local investment bank to serve the needs of growing and mid-cap companies and their investors. Looking ahead, we will continue to expand both our investment banking and brokerage businesses across Greater China, Asia Pacific region as well as in Europe and America. We will also be working to deepen the synergies among our services in order to maximise the results of our full-service platform.

CHANGES IN BOARD COMPOSITION

In October 2006, the Company sadly announced the passing of Dr Raymond Wu, an Independent Non-Executive Director.

In November 2006, the company announced the resignation of Ms Rebecca Lau as the Deputy Chief Executive Officer. Ms Lau was re-designated from an Executive Director to a Non-Executive Director effective from December 2006.

In January 2007, the Company announced that Mr Michael Wu, a Non-Executive Director, was re-designated as an Independent Non-Executive Director. The Company also announced and welcomed Dr Lee G. Lam to the Board as a Non-Executive Director with effect from February 2007.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at end of June 2007 were HK$2,071 million, of which approximately 90% was current in nature. Net current assets were HK$699 million and accounted for approximately 78% of the net assets of the Group as at the end of June 2007.

The Group generally finances its operations from internal resources. Total borrowings of approximately HK$800 million at the end of June 2007 comprised of the following:

– approximately HK$6 million in mortgage loans secured by the Company's office premises in Beijing and Shenzhen;

– approximately HK$2 million in finance lease obligations for office equipments;

– approximately HK$792 million in short-term loans mainly utilised for re-financing customers' IPO subscriptions.

All short-term bank loans were repaid shortly after year end. They were mainly denominated in Hong Kong dollars or United States dollars to match the cash flows of our business operations. At the year end, the Group's gearing ratio, calculated as a percentage of bank borrowings over the shareholders' funds, was approximately 99%.

The Group's properties with a carrying value of HK$15.8 million were pledged as security 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 Hong Kong dollars. 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 as part of our investment monitoring process.

Hedging instruments may be used as part of the overall investment strategy if deemed necessary by the investment managers. The Group has purchased properties in the PRC for its own use and holds properties in the PRC through jointly controlled entities for investment purposes. These assets are financed by internal resources and loans denominated in either Hong Kong dollars or US dollars. In view of the gradual and steady appreciation in the exchange rate of RMB against Hong Kong and US dollars, the Group considers that there is no need to hedge these assets denominated in RMB. Management will monitor the situation closely and introduce suitable hedging measures if there are any adverse changes. The Group does not have other material exposure to fluctuation in exchange rates and does not use any hedging instruments.

EMPLOYMENT, TRAINING AND DEVELOPMENT POLICIES

Following the completion of the disposal of the Fund Management operations at the end of March 2007, there was a decrease in staff numbers. The number of full time employees decreased from 153 last year to 129 at the end of this financial year.

Remuneration and bonuses are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal, along with 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 training requirements.

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

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and has complied with the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 30 June 2007 save for the deviation from CG Code B1.1 which provides that a majority of the members of the remuneration committee should be Independent Non-Executive Directors. During the period from 3 October 2006 to 1 January 2007, a majority of the members of the Company's compensation committee was not comprised of a majority of Independent Non-Executive Directors.

Additionally, during the period from 3 October 2006 to 1 January 2007, the number of Independent Non-Executive Directors and the audit committee members of the Company fell below the minimum number of three as required under rules 3.10(1) and 3.21 of the Listing Rules, respectively.

With effect from 2 January 2007, the Company re-designated Mr Michael Wai Chung Wu as an Independent Non-Executive Director and appointed him as a member of the audit committee and a member of the compensation committee. Consequently, as of 2 January 2007, the Company has been in compliance with the above code provision and the Listing Rules, respectively.

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.

FINAL DIVIDEND

The Board of Directors has proposed, subject to the approval of shareholders at the forthcoming Annual General Meeting on Friday, 26 October 2007, the payment of a final dividend of 0.7 HK cent per ordinary share for the year ended 30 June 2007 to shareholders of the Company and the dividend cheque for the final dividend, if approved, will be dispatched to shareholders on or about Wednesday, 7 November 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 23 October 2007 to Friday, 26 October 2007, both days inclusive, during which period no transfers of shares will be effected. To determine entitlement to the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:00 p.m. on Monday, 22 October 2007.

REVIEW OF FINAL RESULTS

The audited Financial Statements have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2007 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this Announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF RESULTS AND ANNUAL REPORT

This results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") at www.hkex.com.hk under "Latest Listed Company Information" and on the Company's website at www.kingswaygroup.com under "Investor Relations". The annual report of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

As at the date of this announcement, the directors of the Company consist of Jonathan Koon Shum Choi as Chairman, Mary Yuk Sin Lam as Deputy Chairman & Executive Director, William Wai Leung Wu as Chief Executive Officer & Executive Director, Michael Koon Ming Choi as Executive Director, Rebecca Yuk Fung Lau and Lee G. Lam as Non-Executive Directors and Robert Tsai To Sze, Stanley Kam Chuen Ko and Michael Wai Chung Wu as Independent Non-Executive Directors.

On behalf of the Board
William Wai Leung Wu
Chief Executive Officer

Hong Kong, 18 September 2007

* *For identification purposes only.*