

STATEMENT OF CORPORATE GOVERNANCE

The Board of the Company is comprised of a mix of executive and non-executive directors, including two independent non-executive directors. The Board of Directors has overall responsibility for the stewardship of the Group, including responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operations of the Group are conducted in accordance with such objectives. The Board meets at least two times annually to determine and review strategic objectives, approve interim and annual results, and any other significant matters that will affect the operations of the Group as a whole.

The Board of Directors has delegated specific responsibilities and duties to the following committees:

(1) Audit Committee

The Audit Committee consists of two independent non-executive directors. It is responsible for reviewing the Group's interim and annual financial statements and making recommendations as to the approval of the Group's interim and annual financial statements by the Board of Directors. It meets, at least, twice annually with the external auditor to discuss the interim and annual audit. The adequacy and effectiveness of the Group's internal control and management information system are to be discussed in these meetings. The Audit Committee has complete and unrestricted access to the external auditor, Group Financial Controller and Director of Legal and Compliance.

(2) Remuneration Committee

The Remuneration Committee is composed of two executive directors and chaired by an independent non-executive director. It is responsible for reviewing executive remuneration packages including those of the Directors. In doing so, the Committee takes into account whether the packages are competitive and sufficiently attractive to retain executives. The remuneration package consists of basic salary, mandatory provident fund contribution, bonus, fringe benefit and employee option scheme.

(3) Nomination Committee

The Nomination Committee consists of Chairman, Chief Executive Officer ("CEO") and one independent non-executive director. It is responsible for identifying, recruiting and evaluating new nominees to the Board of Directors and the assessment of directors. The Committee meets when the need arises.

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(4) Executive Committee

The Executive Committee consists of three executive directors. It is responsible for implementing the Group's long-term strategic objectives. The responsibility for the day-to-day management of the Group is rested with the Executive Committee, who meets monthly to discuss operational issues and matters. All major operating and capital plans of the Group must be approved by the Executive Committee and in turn formally adopted by the Board of Directors. Long-term strategies developed by senior management and the Executive Committee with respect to the operations of the Group are to be reviewed and updated in periodic meetings of the Board.

The Committee reviews twelve times annually the adequacy of the company's compliance and reporting systems. An executive conference is organized annually to provide a forum to allow the Board members to meet with the senior management and to discuss strategic issues and any challenges facing the Group. Attendance is expected for all executive and independent directors.

(5) Risk Management Committee

As previously reported, in recognition of the increasingly varied and complex nature of the financial services business, we continue to believe that risk management must reside within, but be independent of Kingsway's core business activities. This is to protect the interest of all stakeholders and to manage our professional and legal obligations.

The Board of Directors establishes the overall risk management policies for the Group. The Risk Management Committee is composed of our CEO, Deputy CEO, Risk Management Controller and Director of Legal and Compliance which monitors specific risks, with the objectives of (i) identifying risks; (ii) the continuous assessment and management of risks; (iii) quantifying and assessing all risks and setting prudential limits; and (iv) introducing regular reporting to senior management.

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

The Group views management of risks as critical and an integral part to the Group's continuing profitability.

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(6) Investment Monitoring Committee

In order to monitor the Group's proprietary trading activities, the Board of Directors has appointed an Investment Monitoring Committee to oversee the proprietary trading activities for the Group. This Committee shall, from time to time, set and revise the maximum limits for the Group's proprietary trading activities, which form part of the treasury functions of the Group.

The Investment Monitoring Committee is composed of three executive directors, one independent non-executive director and the Director of Legal and Compliance. The Director of Operations and Controls as the Risk Management Controller of the Group is appointed as the Secretary of this Committee. The Committee meets on a monthly basis and reports to the Board of Directors quarterly.

INTERNAL CONTROL

In addition to the above, the Board recognizes constant changes that take place in the business environment call for a periodic review of the system of internal controls. Well-managed internal controls enable effective and efficient operation and ensure the reliability of internal and external reporting and assist compliance with laws and regulations.

Aligning with the Group's corporate culture, the Board established the Legal and Compliance Department for overseeing compliance of the Group's operations with the applicable regulatory requirements as well as for reviewing internal controls and system efficiencies as an additional mean to enhance superior corporate governance.

Legal and Compliance

The Legal and Compliance Department assists the Group to develop and update its compliance manual, staff handbook, operational procedures and guidelines regularly and as necessary to reflect legislative and regulatory changes, thus ensuring the highest standards of integrity and professionalism. It is responsible to brief all new employees thoroughly about these procedures and guidelines as part of their introduction and orientation program. In addition and in conjunction with the Human Resources Department, the Legal and Compliance Department organises regular training courses to ensure that the highest professional standards are maintained, and that the policies and guidelines laid down by the Group have been effectively implemented.

The Legal and Compliance Department is given unrestricted access to all necessary information, records and carries out regular internal reviews and tests. It reports its findings directly to the Executive Committee and the Board.