

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of the Company (the “Board”) recognises that sound corporate governance practice and greater transparency are vital in instilling investor confidence and growing our assets and is therefore fully committed to the best practice of corporate governance.

The Board 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’s current mandate is to meet at least four times a year to determine and review strategic objectives, approve interim and annual results, and discuss other significant matters that will affect the operations of the Group as a whole.

The Board is comprised of a mix of executive and non-executive directors (including two independent non-executive directors). In order to ensure that the Company has an independent and effective Board, the segregation of roles of Chairman and Chief Executive Officer (“CEO”) has been in place since inception.

The Board has delegated specific responsibilities and duties to the following committees to ensure our best corporate governance practices:

(1) Audit Committee

The Audit Committee consists of the 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. It meets at least twice annually with the external auditor to discuss the interim results and annual audit. The adequacy and effectiveness of the Group’s internal control and management information system are also discussed in these meetings. The Audit Committee has complete and unrestricted access to the external auditor, Group Financial Controller and the Head of Legal and Compliance.

(2) Remuneration Committee

The Remuneration Committee is composed of two executive directors and an independent non-executive director, who also acts as the chairman of the committee. Responsible for reviewing director remuneration packages, the Committee takes into account whether the packages are competitive and sufficiently attractive to retain the executive directors. 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 the Chairman, one executive director, and one independent non-executive director of the Company who also acts as the chairman of the committee. It is responsible for identifying, recruiting and evaluating new nominees to the Board and the assessment of directors. The Committee meets when the need arises.

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(4) Risk Management Committee

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

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

The Board determines the overall risk management policies for the Group. In order to monitor specific risks, a credit committee, finance committee and investment monitoring committee have been established 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.

ATTENDANCE RECORD

The number of meetings held by the Board and the Committees for the year 2002/2003 are as follows:

	Numbers of Meetings	Average Attendance of Directors
Full Board	5	93%
Audit Committee	2	100%
Remuneration Committee	2	83%
Nomination Committee	2	100%

INTERNAL CONTROLS

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

In line 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, in-house training and system efficiencies as an additional measure to enhance superior corporate governance.

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INTERNAL CONTROLS (Continued)

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

NEW MEASURES

1. Investment Monitoring Committee

Function of Investment Monitoring Committee

In order to monitor the Group's proprietary trading activities, the Board has appointed an Investment Monitoring Committee to oversee these activities. With in parameters set by the Board, this Committee sets and revises the maximum limits for the Group's proprietary trading activities.

The Investment Monitoring Committee is composed of two executive directors and the Chief Operating Officer ("COO"). The Group Risk Management Controller ("RMC") is the Secretary of this Committee. The Committee meets on a monthly basis and reports to the Board quarterly.

2. Directors' Remuneration

Even though it is not a requirement, in order to promote greater transparency, the Board has adopted a policy to disclose individual directors' remuneration in its annual financial statements.

SHAREHOLDER RELATIONS

The Company recognises the importance of shareholders' feedback and the need for ongoing communication with investors and representatives of the investment community. In addition to the detailed information contained in its Annual and Interim Reports provided to shareholders, the Company maintains a policy of ongoing and regular communication with shareholders and the investment community. Inquiries by shareholders are directed to and dealt with by senior management.