

Chief Executive's Statement Overview



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Dear Friends and Fellow Shareholders,

On behalf of the Board of Directors (the “Board”), I am pleased to present the annual report for the financial year ended 30 June 2005 (the “2005 Financial Year”) of SW Kingsway Capital Holdings Limited (the “Company”).

To encapsulate the past year’s achievements, the 2005 Financial Year was a year of building and delivering. We made timely alignments, laid a stronger platform, and continue to build, with a view to deliver lasting success for our shareholders and clients. Moving forward, this platform allows us to deepen our client relationships, while enabling Kingsway to broaden its revenue base and be poised for further international expansion.

Today, Kingsway delivers an integrated offering of financial services covering investment banking, brokerage, private equity and wealth management. We also continue to strengthen our foundation of proprietary investments in merchant banking and investments in securities.

China's Promise

China is growing in vitality and scale. Our growth strategy continues to center on China, a marketplace we began moving into years ago.

The Beijing Olympics in 2008 and the Shanghai World Expo in 2010 have propelled tremendous development in China’s infrastructure, property, environmental, industrial and other key sectors. The revised renminbi exchange rate regime relieves the pressure brought on by the sole-link with the US dollar and will contribute to the economic stability of China. According to the Economic Survey Report published by the Organisation for Economic Co-operation and Development in September 2005, China could overtake the United States and Germany to become the largest exporter in the world in the next five years.

Anticipating these positive pointers well ahead of time, Kingsway has embarked on significant strategic steps towards building on its strong China growth platform. I am pleased to give you a glimpse into these windows of opportunity.

Poised to capture the growth potential of the property market in China, a new Real Estate Services department within our private equity growth pillar has been established. The objective is to develop and manage a real estate fund. Additionally, Kingsway acquired a strategically located high-end residential apartment block in Beijing. With its prime location and the growing residential demands from the local and expatriate business communities, the residential block is expected to command a favourable market, reaping long-term benefits for investors interested in this growth area.



We believe our ability to see growth beyond our immediate horizon is what strengthens Kingsway as a powerful and secure bridge of capital from all sides.



Kingsway will continue to look for private equity investment opportunities in other select growth sectors in the region. We aim to raise further funds to come under our management. The growth in net asset value generated by Sinochem Kingsway Capital Inc, a private equity fund, co-sponsored by Kingsway and Sinochem Group, is an endorsement of our private equity strategy.

The domestic China arena is on our radar screen. Kingsway aims to build its fund management business through the set up of a joint venture fund management company in China, subject to the approval of the China Securities Regulatory Commission. Our target is to position Kingsway as a premier fund manager for Greater China in the near term.

Beyond the China Horizon

The compass needle of the US market interest rate and its dollar movement always have a bearing on our strategy.

The US dollar interest rate is likely to reach its peak. A more stable interest rate environment coupled with the ever-increasing capital needs of China will bring robust activities in Hong Kong's capital market for the next two years. Kingsway will continue to benefit from its fee-based investment banking and brokerage pillar businesses. The fact that over 30% of the market capitalisation of the Hong Kong stock market is now dominated by China related stocks confirms that our early-mover investment banking China strategy was right.

As a strategic diversification move from the US dollar influence, Kingsway has embraced other international markets that pose growth opportunities for expanding its revenue base that is integral to its China platform. We believe our ability to see growth beyond our immediate horizon is what strengthens Kingsway as a powerful and secure bridge of capital from all sides.

We took a visionary move, 18 months ago, towards capturing the growth potential of Japan in its strong economic recovery trend. We now see the benefits brought to Kingsway through the co-operation with E*Trade Japan, enabling real time access to investors in Japan to trade Hong Kong stocks; and through Kingsway SBF Investment, a co-sponsored fund with Softbank Investment Corporation, investing in companies with good potential in Japan to expand into China or vice versa. Seeing the positive trends of the Nikkei Japan, up 20% from the previous year, and its strong economic fundamentals; Japan is an important draw integral to our overall China and international strategy.

Our international strategy has translated into success for our clients in terms of cross border capabilities and access to international capital.

Allow me to quote an example. Kingsway has built an international shareholders' base for Xinyi Glass Holdings Limited through leading its Initial Public Offering ("IPO"). The exercise was concluded with successful share distribution to Europe, Singapore, Japan, Taiwan, Australia, in addition to Hong Kong.

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Technology as a partner for growth

Business growth comes through technology as well.

We have successfully launched our proprietary next generation electronic trading platform ("NextGEN") that enhances our retail and institutional operations. E*Trade Japan's technology now connects with Kingsway's platform to deliver cross-border electronic trading capabilities, providing Japanese investors with access to various Hong Kong and China equities listed on the Stock Exchange of Hong Kong. It is our plan to extend the NextGEN features to derivatives and proprietary desk operations, and to add electronic and algorithmic trading capabilities, servicing Hong Kong and China markets through web access. Our NextGEN platform has brought an increasing number of transactions. We are also currently expanding on the functions and features of this platform to serve global clients who seek liquidity and unique execution services in this market.

Market recognition is the best testament to our capabilities

FinanceAsia, a financial publication, ranked Kingsway the Best Broker in Hong Kong in 2005. The Asset Equities Benchmark Research Index ranked Kingsway as one of the top brokerage houses in Hong Kong for two consecutive financial years, in 2004 and 2005. Kingsway came second in 2005 Financial Year, up from third place in previous financial year.

In terms of IPO capabilities, Kingsway is the only home-grown financial house to be ranked in the top ten league in terms of Chinese IPO fund raisings in Hong Kong for the first 8 months in 2005. (Source: Dealogic)

In the wealth management area, for the first 6 months up to 30 June 2005, Kingsway Korea Fund was the best performing fund according to Standard & Poor's performance review on all MPF funds. For the full 2005 Financial Year, Kingsway Hong Kong SAR Fund was ranked the third best performing fund amongst all MPF funds.

Apart from Kingsway itself, we are pleased to see the achievements brought forth by our strategic partnerships with Sinochem Group and Softbank Investment Corporation, and cooperation with E*Trade Japan. We would like to thank our partners, who, with a common culture of striving for excellence, have made our partnerships a success.

One vision

All our accomplishment would not have been achieved without our talented people and one shared vision. It is with passion that we wish to see our people find Kingsway a top-tier workplace for their career development. Holding to our core values, we are committed to being a leading home-grown financial institution serving our clients, both international and local, in the years to come.

We share one vision. One that is always well ahead of its time, and enables Kingsway to capture benefits in the moment with ideas and energy for growth in the future. We are optimistic on China, bullish on Japan, and we watch the US market closely. These are key economic dimensions for formulating our winning strategy. We see opportunities, and risks which we have cautiously managed. Our talented teams and our one vision will hold us in good stead as we strive to achieve the highest possible returns for our shareholders and our people.

As you read on, I am pleased to review with you the financial and operating areas in the next sections.