



KEEP ON LEADING
THE CHART IN RACES

Chief Executive's Statement

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 2006 (the "Financial Year") of SW Kingsway Capital Holdings Limited (the "Company").

The Financial Year was a test for Kingsway. Our founder, former CEO and Executive Director, Mr William Lam passed away in April, 2006. We were deeply saddened, but our succession plan was successfully put in place by our Board and the transition was smooth. I would like to express my sincere thanks to Mr Lam for laying a solid foundation for Kingsway over the years, and to our shareholders, our Board and all our staff for their support during this difficult period.

As a member of the core management team and the Board, I am honored to take up the role of the CEO for Kingsway since June 2006.

Leveraging on the heritage and fine traditions of Kingsway, and working together with our teams, we continue to set sail towards creating value for all our stakeholders. We believe this is the course to achieve lasting success in the financial market.

We focus on where we excel. We aim to be a mid-cap powerhouse and the best home-grown financial institution in providing quality services. Let me share with you my vision.

On the brokerage front, we boast our superior market calls and our clients-first servicing approach. The accolade of "Best Broker in Hong Kong" awarded by FinanceAsia for a second year running confirms our position. In addition, in the Asiamoney Brokers Poll involving over a thousand institutional investors, Kingsway was ranked second in the category of Best Broker in Hong Kong. We keep on leading the chart in races.

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Our investment banking deal flow is encouraging, thanks to our speed in execution, knowledge of the market and distribution capabilities. Our distribution network has extended to cover key markets in North America, Europe, Singapore, Japan, Taiwan and China in addition to our local distribution in Hong Kong.

Research is the cornerstone of our business. We are expanding our research coverage in terms of the number of companies and moving up to more mid-caps from small-caps. We have recently recruited on-the-ground research analysts in Shenzhen, aiming to expand our coverage in China stocks.

Our private equity investments team continues to capture investment opportunities in selected growth areas. Strategically, these investments provide additional sources of potential Initial Public Offer ("IPO") deals for our investment banking. Our private equity joint ventures with Sinochem Group and Softbank AM Corporation continue to strengthen our positions in China and in Japan.

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We are encouraged to witness the development of our wealth management business. Being one of the few home-grown non-bank financial institutions that is authorized to provide Mandatory Provident Fund (“MPF”) products, we take pride in being the number one in performance in all of our MPF equities funds. We are expanding our wealth management products to cover savings solutions and insurance planning in the near future.

Our China force stays sturdy. We are optimistic on the growth of the China economy as it continues to expand. With our presence in China, anchor in Hong Kong, and reach to international markets, we are confident to seal deals for China companies targeting international investors.

Inside China, our on-the-ground teams allow us to stay close to its pulses, in both policy issues and economic reforms. Our residential apartment block in Beijing continues to attract interests from the market. According to the sale and purchase agreement signed recently, our Company and Marubeni Corporation will co-invest and co-manage the residential property to develop it into top-tier serviced apartments in Beijing. This landmark deal signifies an invaluable partnership, between Marubeni Corporation as a Japanese conglomerate and Kingsway as a leading home-grown China-focused financial institution, in moving ahead to capture the promising opportunities of the residential property market in China.

There is no easy sailing though. Our Company has been hit by the decrease in the profit for the Financial Year as a result of the significant fair value adjustment in relation to our Company's investment in Ocean Grand Holdings Limited and impairment loss of a margin loan secured by the shares of the same company.

Going forward, we need to maintain our competitive edge and to sharpen it at all sides. On top of businesses, we diligently review management measures at the corporate level. While we see opportunities, we identify risk areas and manage them cautiously. In addition, we keep up our efforts to maintain high corporate governance standards. As a corporate citizen, we stay alert to help build our communities in ways we can. Last but not least, it is our passion to manage the firm as a caring workplace for our people.

Kingsway has taken more than 15 years to build its reputation. We are pleased to celebrate our 15th anniversary and receive congratulatory notes from our long-term clients who have chosen to stay with Kingsway in good and bad times. We revitalized the Kingsway logo with the new blend of blue and grey colors signifying an evolving momentum of our efforts that take the Kingsway brand forward.

The continual guidance and support from the Board is invaluable and I am honoured to work together with my fellow Board members in achieving greater success for the Group in the year ahead.

On behalf of the Board, I would like to thank our clients, our staff, business partners, all stakeholders and you, our shareholders, for your commitment and support throughout the year.

Wu Wai Leung William

Chief Executive Officer