

Report of the Board of Directors



Executive Committee, from left to right:

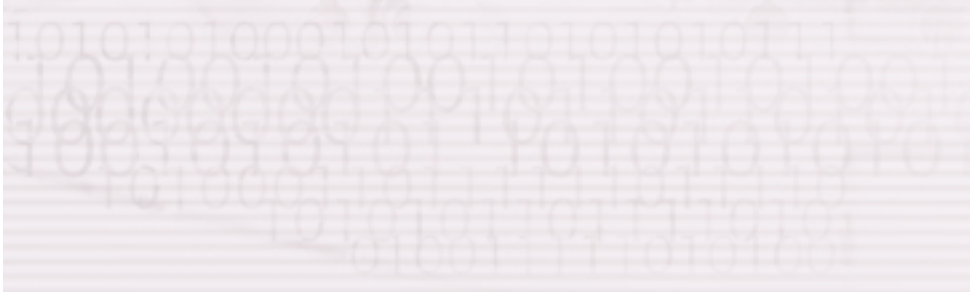
Edmond Wu
*Operations
Director*

Y H Wong
*Executive
Director*

Wilson Hui
*Sales & Marketing
Director*

William Lee
*Group Executive
Director*

Peter Wong
*Group Managing
Director*





Derek Chan
*Group Executive
Director*

Sammy Lau
*Finance
Director*

Sunny Wong
*Sales & Marketing
Director*

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The Group's principal activities during the year consisted primarily of securities and futures contracts broking and trading; the provision of margin financing; the provision of corporate advisory, placing and underwriting services; fund management; the provision of nominee and custodian services; and the provision of brokerage and agency services for savings plan, liability and general insurance.

Upon the disposal of the Group's interests in New World Risk Management (L) Limited and its subsidiaries on 29 September 2000, the Group ceased to provide brokerage and agency services for liability and general insurance.

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries and an associate are set out in notes 14 and 15 to the financial statements, respectively.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity, disclosed pursuant to the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), is as follows:

	Turnover		Contribution to profit from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activities:				
Commission and brokerage income from securities broking	130,298	190,104	(12,363)	78,403
Commission and brokerage income from futures and options contracts broking	11,268	13,211	(5,143)	(3,686)
Margin financing interest income	181,185	154,653	15,217	47,427
Corporate advisory fees	31,867	53,697	7,845	41,804
Placing, underwriting and sub-underwriting commission income	38,171	99,440	6,468	44,375
Fund management fees	70	105	(107)	(309)
Nominee and custodian services income	4,958	4,078	4,011	1,578
Securities trading	(22,197)	9,937	61,398	29,965
Futures contracts trading	238	(2,245)	6	(2,245)
Commission and brokerage income from insurance broking	27,991	37,343	6,509	8,264
Gain on disposal of subsidiaries	–	–	18,132	–
	403,849	560,323	101,973	245,576

The Group's turnover and contribution to profit from operating activities were principally derived from operations in Hong Kong.

The Group's operations outside Hong Kong contributed less than 10% of turnover and less than 10% of contribution to profit from operating activities, and accordingly an analysis of such activities is not shown.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 46 to 89.

An interim dividend of HK4 cents per ordinary share was paid on 22 January 2001. The directors recommend the payment of a final dividend of HK2 cents per ordinary share in respect of the year, to shareholders on the register of members on 24 August 2001. This recommendation has been incorporated in the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary is not part of the audited financial statements.

RESULTS

	Year ended 31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
TURNOVER	403,849	560,323	343,505	801,361	306,069
OPERATING PROFIT	101,973	245,576	46,251	243,226	103,970
Share of profits of associates	365	541	776	228	—
PROFIT BEFORE TAX	102,338	246,117	47,027	243,454	103,970
Tax	(5,350)	(33,727)	(7,591)	(62,338)	(16,199)
PROFIT BEFORE MINORITY INTERESTS	96,988	212,390	39,436	181,116	87,771
Minority interests	(839)	(1,205)	(302)	75	—
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	96,149	211,185	39,134	181,191	87,771

ASSETS AND LIABILITIES

	31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
TOTAL ASSETS	2,177,922	2,503,902	1,909,245	2,607,904	2,606,184
TOTAL LIABILITIES	(1,235,340)	(1,850,232)	(1,422,351)	(2,123,392)	(2,231,132)
MINORITY INTERESTS	—	(2,290)	(1,099)	—	—
NET ASSETS	942,582	651,380	485,795	484,512	375,052

Note:

The Company was incorporated in Bermuda on 7 May 1996 and became the holding company of the companies comprising the Group as a result of a group reorganisation on 17 July 1996. The financial results of the Group for the year ended 31 March 1997 were prepared on the basis of merger accounting as if the Group structure had been in existence throughout the period presented.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group are set out in note 11 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

ASSOCIATE

Particulars of the Group's interest in its associate are set out in note 15 to the financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of the bank loans, overdrafts and other borrowings of the Group are set out in notes 26 and 25 to the financial statements, respectively.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the Company's share capital, warrants and share options during the year, together with reasons therefor, are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year other than as an agent for clients of the Company or its subsidiaries.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2001, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK\$36,587,000. In addition, the Company's share premium account, in the amount of HK\$421,600,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$541,725.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for less than 30% of the Group's total turnover for the year.

None of the directors of the Company or any of their associates or any shareholder (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

The Group is a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Cheng Kar Shun, Henry

Lo Lin Shing, Simon

Doo Wai Hoi, William

Wong Shiu Hoi, Peter

Lee Yiu Wing, William (appointed on 29 June 2000)

Chan Chi On, Derek (appointed on 29 June 2000)

Luo Gang

Non-executive directors:

Chan Wing Luk, Lennon (resigned as executive director on 1 May 2000 and remained as non-executive director on the same date)

To Hin Tsun, Gerald

Ho Hau Chong, Norman

Chan Kam Ling (appointed on 29 September 2000)

Wong Kwok Kin, Andrew (appointed on 29 September 2000)

Cheung Wing Yui, Edward*

Liang Chung Meng, Arthur*

* independent non-executive directors

In accordance with the Company's bye-laws, Messrs. Chan Wing Luk, Lennon, Chan Kam Ling, Wong Kwok Kin, Andrew, Cheung Wing Yui, Edward and Liang Chung Meng, Arthur will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

BRIEF BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

CHENG Kar Shun, Henry, aged 54, is the Chairman of the Company. Dr. Cheng joined the Group in November 1976. He holds an Honorary Doctor of Business Administration in Hospitality Management Degree from Johnson & Wales University in Providence, Rhode Island, in U.S.A. and an Honorary Doctor of Law from the University of Western Ontario in Canada. Dr. Cheng has been an executive director of New World Development Company Limited since 1973 and its managing director since 1989. He is currently the chairman of New World Infrastructure Limited, New World China Land Limited, New World Telephone Holdings Limited, New World CyberBase Limited and New World Services Limited; a managing director of New World Hotels (Holdings) Limited; and a director of various companies including Marriott International Inc., Chow Tai Fook Enterprises Limited, Chow Tai Fook Nominee Limited, Chow Tai Fook Jewellery Company Limited and HKR International Limited. Dr. Cheng is the chief executive officer of a large number of development projects including the multi-billion dollar Hong Kong Convention and Exhibition Centre. He is the chairman of the Advisory Council for The Better Hong Kong Foundation and chairman of the Advisory Panel of the Asian Management Institute, University of Western Ontario. Dr. Cheng is also a member of the Advisory Board of the University of Alberta, Canada, a member of the Advisory Committee for the Harvard Asia Centre, a member of the John Harvard Fellows, a member of the Asian Advisory Board of the Prudential Insurance Company of America, a member of the Young Presidents' Organization (China Chapter) and a committee member of the Eighth & Ninth Chinese People's Political Consultative Committee of The People's Republic of China, a committee member of the Chinese General Chamber of Commerce and a member of the Hong Kong/Japan Business Cooperation Committee and the Hong Kong/European Union Business Cooperation Committee. Dr. Cheng is a son of Mr. Cheng Yu Tung who is a substantial shareholder of the Company.

LO Lin Shing, Simon, B.B.A., aged 45, is a Deputy-chairman of the Company. Mr. Lo joined the Group in June 1986. Mr. Lo possesses over 20 years of experience in the financial, securities and futures industries. He has been a member of the CME and IMM since 1986. Mr. Lo is the chairman of Asia Logistics Technologies Limited and a deputy-chairman of New World CyberBase Limited. He is also an executive director of Asean Resources Holdings Limited, The Kwong Sang Hong International Limited and Pacific Ports Company Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Lo is also a non-executive director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited and hkcyber.com (Holdings) Limited, both companies whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

BRIEF BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT (Continued)**Directors (Continued)****Executive Directors (Continued)**

DOO Wai Hoi, William, aged 56, is a Deputy-chairman of the Company. He is also a deputy-chairman of New World CyberBase Limited. Mr. Doo joined the Group in June 1986, left in July 1988 and rejoined in May 1996. He holds a Bachelor of Science Degree from the University of Toronto, Canada and a Master Degree in Science from the University of California, U.S.A. He also holds a Diploma of Graduate Gemologist from the Gemologist Institute of America. Mr. Doo is currently the vice-chairman of New World China Land Limited, New World Infrastructure Limited and New World Services Limited. He is also the managing director of Fung Seng Diamond Company Limited. In addition, Mr. Doo is a director of NWD (Hotels Investments) Limited and The United Chinese Bank in Hong Kong. Mr. Doo is appointed by The People's Republic of China as a member of the Executive Committee of Shanghai Committee of Chinese People's Political Consultative Conference. He has served as the Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. Mr. Doo is the brother-in law of Dr. Cheng Kar Shun, Henry.

WONG Shiu Hoi, Peter, aged 60, is the Managing Director and Chief Executive of the Company. Mr. Wong holds a Master of Business Administration Degree from the University of East Asia in Macau. Mr. Wong possesses over 30 years of experience in the financial services industry. He has extensive experience in and knowledge of the securities industry and investment consultancy while working for various financial institutions before joining the Group in November 1987. He is an executive director of The Kwong Sang Hong International Limited and a non-executive director of Ching Hing (Holdings) Limited, both companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is a registered dealer and a registered investment adviser under the Securities Ordinance of Hong Kong. Mr. Wong is a listing committee member of both the Main Board and Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

LEE Yiu Wing, William, aged 41, is the Executive Director and Chief Operating Officer of the Company. Mr. Lee is responsible for the management of all operations divisions as well as the corporate services and sales department. Mr. Lee first joined the Group in 1988 and subsequently rejoined us in 1997 after his departure in 1995. Mr. Lee is a member of both the Hong Kong Institute of Directors and the Hong Kong Securities Institute. He holds a BA Degree in Economics and Management from the University of Guelph, Canada. He possesses over 13 years of experience in the financial services industry.

BRIEF BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT (Continued)

Directors (Continued)

Executive Directors (Continued)

CHAN Chi On, Derek, aged 38, is an Executive Director of the Company and the Deputy Managing Director of Tai Fook Capital Limited. Mr. Chan joined the Group in 1996, and is in charge of the corporate finance division. Mr. Chan holds a Master of Business Administration Degree from the Hong Kong University of Science & Technology as well as a Social Sciences Degree in Economics from the University of Hong Kong. Mr. Chan is a registered investment adviser under the Securities Ordinance of Hong Kong. He possesses over 10 years of experience in the financial services industry. Mr. Chan published a book on the subject of listing procedures and securities rules & regulations. Mr. Chan is an executive director of Asean Resources Holdings Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited.

LUO Gang, aged 67, is an Executive Director of the Company. Mr. Luo joined the Group in October 1993. He graduated from Beijing Polytechnic University in 1959 with a certificate in machinery manufacturing and design. He was formerly the deputy commissioner of China North Industries Corporation and the general manager of Nanjing Yanxing Company in The People's Republic of China.

Non-executive Directors

CHAN Wing Luk, Lennon, aged 49, is a Non-executive Director of the Company. Mr. Chan joined the Group in September 1990. He holds a Bachelor of Science Degree from the University of Hong Kong. Mr. Chan has more than 28 years of experience in the financial services industry. He formerly held responsible positions in various financial institutions, both in Hong Kong and in Singapore. He is currently an independent market commentator on the financial services industry in Hong Kong.

TO Hin Tsun, Gerald, aged 52, is a Non-executive Director of the Company. Mr. To joined the Group in May 1996. He has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. He is currently the senior and managing partner of Messrs. T. S. Tong & Co., Solicitors and Notaries. Mr. To is also a non-executive director of Asean Resources Holdings Limited, Asia Logistics Technologies Limited, The Kwong Sang Hong International Limited, New World CyberBase Limited and Pacific Ports Company Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also a non-executive director of Asian Information Resources (Holdings) Limited, a company whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

HO Hau Chong, Norman, aged 45, is a Non-executive Director of the Company. Mr. Ho joined the Group in May 1996. He is a director of Tak Hung (Holdings) Company Limited and Honorway Investments Limited, which are private companies owned by his family. He is also a director of Asia Logistics Technologies Limited, CITIC Pacific Limited, Lee Hing Development Company Limited and Hong Kong Ferry (Holdings) Company Limited. He is a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Society of Accountants. He has over 19 years of experience in international finance and property development.

BRIEF BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT (Continued)**Directors (Continued)****Non-executive Directors (Continued)**

CHAN Kam Ling, aged 60, is a Non-executive Director of the Company. Mr. Chan joined the Group in September 2000. He became a director of New World Development Company Limited in 1994 and also an executive director of New World Infrastructure Limited in 1995 and New World China Land Limited in 1999. Mr. Chan is currently the managing director of New World Services Limited, Hip Hing Construction Company Limited, Sino-French Holdings (Hong Kong) Limited and Macao Water Supply Company Limited as well as a director of Companhia de Electricidade de Macau. He has more than 30 years of experience in construction and property investment industry.

WONG Kwok Kin, Andrew, aged 55, is a Non-executive Director of the Company. Mr. Wong joined the Group in September 2000. He has over 25 years of experience in hotel and project management, as well as finance and human resources administration. Mr. Wong is presently an executive director of New World Services Limited and Sky Connection Limited. He is also a director of New World First Holdings Limited and New World Telephone Holdings Limited. In addition, Mr. Wong has been an executive director of several subsidiaries and affiliated of the New World Group, which provide duty-free liquor and tobacco concession, communication services as well as estate management in both Hong Kong and PRC. Mr. Wong had been an executive director of New World Hotels (International) Limited and Renaissance Hotel Group N.V., a company listed on the New York Stock Exchange, from 1995 to 1997. He had also worked in Price Waterhouse and Bowater Group of Companies (UK) before.

CHEUNG Wing Yui, Edward, aged 51, is a Non-executive Director of the Company. Mr. Cheung joined the Group in July 1996. He has been a practising lawyer in Hong Kong since 1979 and has also been admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. He is currently a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors and Notaries. Mr. Cheung is a non-executive director of seven other listed companies and company secretary to another four listed companies. He is also a Council Member of the Open University of Hong Kong.

LIANG Chung Meng, Arthur, aged 52, is a Non-executive Director of the Company. Mr. Liang joined the Group in April 1997. He has been an executive director of Hong Kong China Hydrofoil Limited since 1980. He is also an executive director of Yin Cheong Company Limited, whose businesses include property investment and hotel operations. Mr. Liang has more than 21 years of experience in the shipping and property investment industry.

BRIEF BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT (Continued)**Senior Management**

WONG Yat Hang, Peter, aged 44, is the Group Chief Financial Officer and an Executive Director of Tai Fook On-line Services Limited. Mr. Wong also spearheaded the Total Quality Management and Quality Assurance Functions of the Group. Prior to joining the Group in 1997, Mr. Wong was a professional management consultant with more than 15 years' experience, specialized in Strategic, Financial and Performance Improvement Management. His portfolio covered over 40 local and multinational companies throughout Hong Kong and the PRC, as well as other Asian countries. A Graduate from the University of Birmingham in the United Kingdom, Mr. Wong obtained a Bachelor of Science Degree and a Postgraduate Diploma in Finance. He is currently a fellow member of the Hong Kong Institute of Directors and serves as the committee member of Business Valuation.

HUI Yee, Wilson, aged 42, is the Director of Sales and Marketing for the Group and an Executive Director of Tai Fook Securities Company Limited. Mr. Hui is responsible for the development and management of the Group's retail brokerage business. Mr. Hui joined the Group in 1995 after 14 years of experience in the banking and securities industries. He holds a Bachelor Degree in Economics and Management Studies from the University of Hong Kong. He is currently a member of the Hong Kong Institute of Directors and the Hong Kong Securities Institute.

WONG Chung Mun, Sunny, aged 43, is the Director of Sales and Marketing for the Group and an Executive Director of Tai Fook Futures Limited. Mr. Wong is responsible for development and management of the Group's retail brokerage, securities and futures businesses. Mr. Wong joined the Group in 1998 after 17 years of experience in securities and futures industries. He holds a Bachelor Degree of Arts from the Chinese University of Hong Kong. He is currently a member of the Hong Kong Institute of Directors and the Hong Kong Securities Institute.

WU Kwok Leung, Edmond, aged 47, is the Operations Director of the Group. Before joining the Group, Mr. Wu held senior position with various financial institutions. He was formerly Vice President of First Pacific Bank Limited, Commercial Banking Group and Chief Operations Manager of The Sanwa Bank Limited, in charge of all departments and sub-branch operations in Hong Kong. He holds a Master of Business Administration Degree from the University of East Asia, Macau and a Diploma of Management for Executive Development from the Chinese University of Hong Kong. Mr. Wu has more than 25 years of experience in the field of banking and finance.

LAU Chi Keung, Sammy, aged 41, is the Finance Director of the Group. Mr. Lau is responsible for the accounting and financial management. Mr. Lau holds a Master of Applied Finance Degree from the University of Western Sydney, Australia. Prior to joining the Group in 1997, he has more than 15 years of working experience in the Asia Pacific region. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. Mr. Lau is also a senior associate member of the Australasian Institute of Banking and Finance, and a member of the Hong Kong Institute of Directors and the Hong Kong Securities Institute.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the directors' emoluments and those of the five highest paid employees in the Group are set out in notes 5 and 6 to the financial statements, respectively.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, the following directors are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Lo Lin Shing, Simon	Asean Resources Holdings Limited	Securities investment and trading	Director
Chan Chi On, Derek	Asean Resources Holdings Limited	Securities investment and trading	Director
To Hin Tsun, Gerald	Asean Resources Holdings Limited	Securities investment and trading	Director

As the board of directors of the Company is independent from the board of the aforesaid companies and none of the above directors can control the board of the Company, the Group is capable of carrying its businesses independently of, and at arms length from the businesses of such companies.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lo Lin Shing, Simon, Mr. Wong Shiu Hoi, Peter, Mr. Luo Gang and Mr. Chan Wing Luk, Lennon* has entered into a service agreement with the Company. Particulars of these agreements are set out below:

- (a) Each service agreement is for a term of three years commencing on 1 August 1996 and shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice.
- (b) The initial salaries of Mr. Lo Lin Shing, Simon, Mr. Wong Shiu Hoi, Peter, Mr. Luo Gang and Mr. Chan Wing Luk, Lennon* were HK\$175,000, HK\$175,000, HK\$83,500 and HK\$149,500 per month, respectively, which were adjusted at a rate determined by the independent non-executive directors on 1 January 1997 and thereafter on 1 January in each year during the term of their service agreements.
- (c) Each of Mr. Lo Lin Shing, Simon, Mr. Wong Shiu Hoi, Peter, Mr. Luo Gang and Mr. Chan Wing Luk, Lennon* is entitled to such management bonus as may be determined by the board of directors with the aggregate of the management bonuses payable to all executive directors in respect of any financial year not exceeding 5% of the consolidated profits of the Group after tax and minority interests but before extraordinary items for the relevant financial year.
- (d) Each such director shall abstain from voting and not be counted in the quorum in respect of any resolution regarding the amount of management bonus available to himself.

* On 1 May 2000, Mr. Chan Wing Luk, Lennon resigned as an executive director and was appointed as a non-executive director of the Company. The service agreement entered into between Mr. Chan Wing Luk, Lennon and the Company ceased to be effective on the same date.

Save as disclosed above, no director has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2001, the interests of the directors in the share capital of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as required to be recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, or as otherwise notified the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Model Code"), were as follows:

(A) Shares

(a) The Company

Name of director	Number of ordinary shares held			
	Personal interests	Family interests	Corporate interests	Total
Lo Lin Shing, Simon	1,000,000	—	70,616,222 (Note 1)	71,616,222
Wong Shiu Hoi, Peter	12,500,000	—	—	12,500,000
Lee Yiu Wing, William	300,000	—	—	300,000
Chan Chi On, Derek	460,000	—	—	460,000
Chan Wing Luk, Lennon	2,000,000	—	—	2,000,000
Wong Kwok Kin, Andrew	—	390,000 (Note 2)	—	390,000

(b) The associated corporation

Name of director	Class of shares	Name of associated corporation	Number of shares held (Corporate interests)
Lo Lin Shing, Simon	Non-voting deferred shares	Tai Fook Finance Company Limited (Note 3)	47,670,000 (Note 1)

Notes:

- (1) These shares are held by Wellington Equities Inc., a company beneficially wholly-owned by Mr. Lo Lin Shing, Simon.
- (2) These shares are held by Mrs. Wong Li Chak Wing, Winnie, the spouse of Mr. Wong Kwok Kin, Andrew.
- (3) Tai Fook Finance Company Limited is an indirect wholly-owned subsidiary of the Company.

DIRECTORS' INTERESTS IN SHARE CAPITAL (Continued)

(B) Warrants

Name of director	Personal interests	Number of warrants held		
		Family interests	Corporate interests	Total
Lo Lin Shing, Simon	200,000	—	14,123,244 (Note)	14,323,244
Wong Shiu Hoi, Peter	2,480,000	—	—	2,480,000
Chan Chi On, Derek	92,000	—	—	92,000
Chan Wing Luk, Lennon	400,000	—	—	400,000

Note:

These warrants are held by Wellington Equities Inc., a company beneficially wholly-owned by Mr. Lo Lin Shing, Simon.

(C) Share options

Certain directors of the Company were granted share options in prior years pursuant to the share option scheme of the Company adopted on 17 July 1996. These share options expired during the year. Details of the movements of the directors' interests in options to subscribe for shares of the Company under the Company's share option scheme during the year were as follows:

Name of director	Number of options held on 1 April 2000	Number of options granted during the year	Number of options exercised during the year	Number of options expired during the year	Number of options held on 31 March 2001	Period during which options were exercisable	Price per share to be paid on exercise of options HK\$
Lo Lin Shing, Simon	5,000,000	—	—	5,000,000	—	7 March 1998 - 7 March 2001	4.24
Wong Shiu Hoi, Peter	4,500,000	—	—	4,500,000	—	7 March 1998 - 7 March 2001	4.24
Lee Yiu Wing, William	1,500,000	—	—	1,500,000	—	7 March 1998 - 7 March 2001	4.24
Chan Chi On, Derek	340,000	—	—	340,000	—	8 October 1997 - 8 October 2000	1.836
	1,000,000	—	—	1,000,000	—	7 March 1998 - 7 March 2001	4.24
Luo Gang	1,000,000	—	—	1,000,000	—	8 October 1997 - 8 October 2000	1.836
Chan Wing Luk, Lennon	3,000,000	—	—	3,000,000	—	7 March 1998 - 7 March 2001	4.24

DIRECTORS' INTERESTS IN SHARE CAPITAL (Continued)**(C) Share options** (Continued)

Save as disclosed above, none of the directors or their respective associates had any personal, family, corporate or other interests in the share capital or debt securities of the Company and its associated corporations (as defined in the SDI Ordinance), as required to be recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, or as otherwise notified the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the section "Directors' interests in share capital", at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Further details of the Company's share option scheme are set out in note 28 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Notes	Number of shares held		Percentage
		Direct interests	Deemed interests	
Chow Tai Fook Nominee Limited	1	107,140,540	–	21.94
Chow Tai Fook Enterprises Limited	2	30,977,916	97,624,340	26.33
New World Development Company Limited ("NWD")	3	–	97,624,340	19.99
Citiplus Investment Limited ("CIL")	4	–	97,624,340	19.99
New World Services Limited (incorporated in the Cayman Islands) ("NWS")	5	–	97,624,340	19.99
New World Services Limited (incorporated in the British Virgin Islands) ("NWS (BVI)")	6	–	97,624,340	19.99
NWS Financial Management Services Limited		97,624,340	–	19.99
Wellington Equities Inc.	7	70,616,222	–	14.46

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. Mr. Cheng Yu Tung beneficially owns all of the issued shares in Chow Tai Fook Nominee Limited.
2. Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.
3. CIL is a wholly-owned subsidiary of NWD and its interest in the Company is deemed to be held by NWD.
4. NWS is a 51% owned subsidiary of CIL and its interest in the Company is deemed to be held by CIL.
5. NWS (BVI) is a wholly-owned subsidiary of NWS and its interest in the Company is deemed to be held by NWS.
6. NWS Financial Management Services Limited is a wholly-owned subsidiary of NWS (BVI) and its interest in the Company is deemed to be held by NWS (BVI).
7. These shares were shown in the corporate interests in the Company of Mr. Lo Lin Shing, Simon as set out in the section “Directors’ interests in share capital”.

Save as disclosed above, no person, other than the directors or the chief executive of the Company, whose interests are set out in the section “Directors’ interests in share capital” above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

The connected transactions undertaken by the Group are included in the transactions set out in note 34 to the financial statements.

The independent non-executive directors have confirmed to the board of directors that the connected transactions arose in the ordinary and usual course of the Group’s business and they were entered into based on normal commercial terms and in accordance with the terms of the agreements of the underlying transactions. The independent non-executive directors also confirmed that the income derived from the provision of financial services and the provision of insurance services to the directors and the substantial shareholders of the Company and their respective associates did not respectively exceed 10% of the Group’s total turnover for the year.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms. The non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

The Company has established an audit committee in 1999 in accordance with paragraph 14 of the Code of Best Practice.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

CHENG Kar Shun, Henry
Chairman

Hong Kong, 5 July 2001