

Report of the Board of Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise securities and futures contracts broking and trading, the provision of margin and other financing, the provision of corporate advisory, placing and underwriting services, gold bullion contracts dealing and trading, the provision of nominee and custodian services, fund management and the provision of agency services for savings plans. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 75 to 130.

An interim dividend of HK1 cent per ordinary share was paid on 17 January 2003. The directors have resolved not to recommend the payment of a final dividend for the year.

Summary of financial information

A summary of the published results and assets, liabilities and minority interests 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 does not form part of the audited financial statements.

Results

	Year ended 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	273,779	270,669	403,849	560,323	343,505
OPERATING PROFIT/(LOSS)	(40,092)	(121,614)	99,243	245,576	46,251
Share of profits/(losses) of:					
associates	–	–	365	541	776
jointly-controlled entities	(372)	(48)	–	–	–
PROFIT/(LOSS) BEFORE TAX	(40,464)	(121,662)	99,608	246,117	47,027
Tax	2,220	3,408	(5,350)	(33,727)	(7,591)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(38,244)	(118,254)	94,258	212,390	39,436
Minority interests	–	–	(839)	(1,205)	(302)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	(38,244)	(118,254)	93,419	211,185	39,134

**Summary of financial information** (continued)**Assets, liabilities and minority interests**

	2003 HK\$'000	2002 HK\$'000	31 March 2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)	1999 HK\$'000 (Restated)
TOTAL ASSETS	2,130,896	2,014,772	2,177,922	2,503,902	1,909,245
TOTAL LIABILITIES	(1,376,020)	(1,197,230)	(1,225,574)	(1,809,964)	(1,415,030)
MINORITY INTERESTS	–	–	–	(2,290)	(1,099)
	754,876	817,542	952,348	691,648	493,116

Fixed assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

Share capital, share options and warrants

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 31 and 32 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, redemption or sale of listed securities of the Company

During the year, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company. Further details of these transactions are set out in note 31 to the financial statements.

Except as disclosed above, 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 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

At 31 March 2003, the Company had no available distributable reserves, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended). However, the Company's share premium account, in the amount of HK\$408,768,000, may be distributed in the form of fully paid bonus shares.

Charitable contributions

During the year, the Group made charitable contributions totalling HK\$33,863.

Major customers and suppliers

In the year under review, 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

Chan Chi On, Derek

Luo Gang

Non-executive directors:

Chan Wing Luk

To Hin Tsun, Gerald

Ho Hau Chong, Norman

Chan Kam Ling

Wong Kwok Kin, Andrew

Lam Wai Hon, Patrick

Cheung Wing Yui, Edward*

Liang Chung Meng, Arthur*

* *Independent non-executive director*

In accordance with the Company's bye-laws, Messrs. Lee Yiu Wing, William, Chan Chi On, Derek, Ho Hau Chong, Norman and Chan Wing Luk will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.



Brief biographies of the directors and senior management

Directors

Executive Directors

CHENG Kar Shun, Henry, aged 56, 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 and NWS Holdings Limited; a managing director of New World Hotels (Holdings) Limited; and a director of various companies including 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, and a committee member of the Eighth, Ninth & Tenth National Committee of Chinese People's Political Consultative Conference, a committee member of the Chinese General Chamber of Commerce and a member of the Hong Kong/Japan Business Co-operation 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, aged 47, 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, Cyber On-Air Group Company Limited and New World CyberBase Limited. He is also an executive director of Asean Resources Holdings Limited and The Kwong Sang Hong International Limited, as well as a non-executive director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited.

DOO Wai Hoi, William, aged 58, is a Deputy-chairman of the Company. 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 and NWS Holdings Limited. He is a director of NWD (Hotels Investments) Limited and Fung Seng Diamond Company Limited. 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.

Brief biographies of the directors and senior management (continued)

WONG Shiu Hoi, Peter, aged 62, 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 a non-executive director of Ching Hing (Holdings) Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited. He is a responsible officer of Tai Fook Securities Company Limited and Tai Fook Capital Limited under the Securities and Futures Ordinance. Mr. Wong is a listing committee member of The Stock Exchange of Hong Kong Limited and a deputy-chairman of The Hong Kong Institute of Directors.

LEE Yiu Wing, William, aged 43, 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. He is a responsible officer of Tai Fook Securities Company Limited and Tai Fook Investment Services Limited under the Securities and Futures Ordinance. 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 15 years of experience in the financial services industry.

CHAN Chi On, Derek, aged 40, 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 responsible officer of Tai Fook Capital Limited under the Securities and Futures Ordinance. 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 69, 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, aged 51, 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 30 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.

**Brief biographies of the directors and senior management** (continued)

TO Hin Tsun, Gerald, aged 54, 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 NWS Holdings Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited.

HO Hau Chong, Norman, aged 47, is a Non-executive Director of the Company. Mr. Ho joined the Group in May 1996. He is a director of Tak Hung (Holding) 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 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 20 years of experience in international finance and property development.

CHAN Kam Ling, aged 62, 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 New World China Land Limited in 1999 respectively. Mr. Chan is currently the managing director and chief executive officer of NWS Holdings Limited (formerly known as Pacific Ports Company Limited). He is also managing director of 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 - CEM, S.A. Mr. Chan has more than 30 years of experience in construction and property investment industry.

WONG Kwok Kin, Andrew, aged 57, 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 NWS Holdings 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.

LAM Wai Hon, Patrick, aged 40, was appointed as a Non-executive Director of the Company on 1 February 2002. Mr. Lam is a Chartered Accountant by training and holds a Master of Business Administration Degree from the University of Edinburgh and a Bachelor Degree from the University of Essex, the United Kingdom. He is a fellow of the Hong Kong Society of Accountants, and of the Institute of Chartered Accountants of England and Wales, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Lam is presently Assistant General Manager of New World Development Company Limited. He is also an executive director of NWS Holdings Limited and Hong Kong Convention and Exhibition Centre (Management) Limited, and a director of Wai Kee Holdings Ltd. Prior to joining the New World Group, Mr. Lam worked for an international accounting firm.

Brief biographies of the directors and senior management (continued)

CHEUNG Wing Yui, Edward, aged 53, 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 a number of listed companies. He is also a Council Member of the Open University of Hong Kong.

LIANG Chung Meng, Arthur, aged 54, 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.

Senior Management

WONG Yat Hang, Peter, aged 46, is the Group Chief Financial Officer and an Executive Director of Tai Fook Finance Company Limited and Tai Fook Management Consultancy Limited. Mr. Wong also spearheaded the Finance, Human Resources, Administration and Corporate Development 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 44, 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. He is a responsible officer of Tai Fook Securities Company Limited under the Securities and Futures Ordinance. 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 45, is the Executive Director - Retail Sales for the Group and an Executive Director of Tai Fook Futures Limited and Tai Fook Bullion Limited. Mr. Wong is responsible for the development and management of the Group's retail brokerage, securities, futures and bullion businesses. He is a responsible officer of Tai Fook Futures Limited under the Securities and Futures Ordinance. Mr. Wong joined the Group in 1998 after 20 years of experience in the securities and futures industry. He holds a Bachelor Degree of Arts from the Chinese University of Hong Kong. He is currently a member of the Hong Kong Securities Institute and Hong Kong Institute of Directors.

WU Kwok Leung, Edmond, aged 49, is the Operations Director of the Group and an Executive Director of Tai Fook Securities Company Limited. Mr. Wu has more than 25 years of experience in the field of banking and finance. 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. 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. He is currently a member of the Hong Kong Institute of Directors.

**Brief biographies of the directors and senior management** (continued)

LAU Chi Keung, Sammy, aged 43, 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 and a Diploma of Business Administration in the PRC. 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.

Directors' service contracts

Each of Mr. Lo Lin Shing, Simon, Mr. Wong Shiu Hoi, Peter and Mr. Luo Gang 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 first commencing on 1 August 1996 and thereafter continuing 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 and Mr. Luo Gang were HK\$175,000, HK\$175,000 and HK\$83,500 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 terms of their service agreements.
- (c) Each of Mr. Lo Lin Shing, Simon, Mr. Wong Shiu Hoi, Peter and Mr. Luo Gang 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 profit of the Group after tax and minority interests but before extraordinary items for the relevant financial year.
- (d) Each of such directors are required to abstain from voting and not be counted in the quorum in respect of any resolution regarding the amount of management bonus available to himself.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, 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.

Report of the Board of Directors

Directors' interests in shares

At 31 March 2003, 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 (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 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 (the "Model Code"), were as follows:

(a) The Company

Name of director	Number of shares held and nature of interest			Total
	Personal	Family	Corporate	
Lo Lin Shing, Simon	1,000,000	–	70,616,222 (Note 1)	71,616,222
Wong Shiu Hoi, Peter	12,700,000	–	–	12,700,000
Lee Yiu Wing, William	600,000	–	–	600,000
Chan Chi On, Derek	460,000	–	–	460,000
Chan Wing Luk	2,000,000	–	–	2,000,000
Wong Kwok Kin, Andrew	–	390,000 (Note 2)	–	390,000

(b) An 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.

The interests of the directors in the share options of the Company are separately disclosed in note 32 to the financial statements.

In addition to the above, a director has a non-beneficial personal equity interest in a subsidiary held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company and any of 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 pursuant to the Model Code.



Directors' rights to acquire shares or debentures

Apart from as disclosed in the share capital disclosures and in the share option scheme disclosures in notes 31 and 32 to the financial statements, respectively, 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.

Share option schemes

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, the detailed disclosures relating to the Company's share option schemes have been moved to note 32 to the financial statements.

Substantial shareholders

At 31 March 2003, the following interests of 10% or more of the issued 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 and nature of interest		Percentage of the Company's issued share capital
		Direct	Deemed	
Chow Tai Fook Nominee Limited	(1)	107,140,540	–	22.53
Chow Tai Fook Enterprises Limited	(2)	30,977,916	97,624,340	27.04
New World Development Company Limited ("NWD")	(3)	–	97,624,340	20.53
Citiplus Investment Limited ("CIL")	(4)	–	97,624,340	20.53
NWS Holdings Limited ("NWS")	(5)	–	97,624,340	20.53
NWS Service Management Limited (formerly known as New World Services Limited) (incorporated in the Cayman Islands) ("NWSSM (Cayman)")	(6)	–	97,624,340	20.53
NWS Service Management Limited (formerly known as New World Services Limited) (incorporated in the British Virgin Islands) ("NWSSM (BVI)")	(7)	–	97,624,340	20.53
NWS Financial Management Services Limited		97,624,340	–	20.53
Wellington Equities Inc.	(8)	70,616,222	–	14.85

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 interest in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares in which NWD is deemed to be interested.
- (3) NWD has interests in more than one-third of the issued shares of NWS and is accordingly deemed to have an interest in the shares in which NWS is deemed to be interested.

Substantial shareholders (continued)

- (4) *CIL, a wholly-owned subsidiary of NWD, has held its interest in more than one-third of the issued shares of NWS on trust for certain subsidiaries of NWD and is accordingly deemed to hold an interest in the shares in which NWS is deemed to be interested on trust for certain subsidiaries of NWD.*
- (5) *NWSSM (Cayman) is a wholly-owned subsidiary of NWS and its interest in the Company is deemed to be held by NWS.*
- (6) *NWSSM (BVI) is a wholly-owned subsidiary of NWSSM (Cayman) and its interest in the Company is deemed to be held by NWSSM (Cayman).*
- (7) *NWS Financial Management Services Limited is a wholly-owned subsidiary of NWSSM (BVI) and its interest in the Company is deemed to be held by NWSSM (BVI).*
- (8) *These shares are shown in the corporate interest in the Company of Mr. Lo Lin Shing, Simon as set out in the section headed "Directors' interests in shares".*

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" 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 (a), (b) and (d) to (h) of note 38 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 to the directors and the substantial shareholders of the Company and their respective associates did not exceed 10% of the Group's total turnover for the year.

Directors' interests in competing businesses

At 31 March 2003, the following directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

Name of director	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
Wong Kwok Kin, Andrew	Certain subsidiaries of East Asia Secretaries (BVI) Limited	Provision of nominee service	Director of East Asia Secretaries (BVI) Limited
Lam Wai Hon, Patrick	Certain subsidiaries of Tricor Holdings Limited	Provision of nominee service	Director of Tricor Holdings Limited

As the board of directors of the Company is independent from the board of the aforesaid companies and the above directors do not control the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.



Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) 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 as required by paragraph 7 of the Code, but 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.

Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises two independent non-executive directors and a non-executive director of the Company.

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, 16 July 2003