

# REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited accounts of the Company and its subsidiaries (collectively the “Group”) for the year ended 30th June 2002.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 32 to the accounts.

The analysis of the principal activities and geographical locations of the operations of the Group are set out in note 11 to the accounts.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th June 2002 are set out in the consolidated profit and loss account on page 34.

Interim dividend of HK\$0.011 per ordinary share (2001: HK\$0.01) was paid on 23rd April 2002. The directors propose, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of HK\$0.02 per ordinary share (2001: HK\$0.02) for the year.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the years ended 30th June 2002, 2001, 2000, 1999, 1998 is set out on page 72.

## RESERVES

Movements in the reserves of the Group during the year are set out in note 26 to the accounts.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$815,000 (2001: HK\$1,900,000).

## FIXED ASSETS

Movements in fixed assets of the Group during the year are set out in note 13 to the accounts.

## SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 25 to the accounts.

# REPORT OF THE DIRECTORS

## SHARE OPTIONS

Details of the share options granted by the Company are disclosed below pursuant to the requirements under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”):

### (a) Information of the share option scheme

The summary of the share option scheme (the “Scheme”) approved by the shareholders of the Company on 23rd August 2000 is as follows:

- |  |   |  |
|--|---|--|
| (i) Purpose of the Scheme  | : | As incentive to executive management and employees   |
| (ii) Participants of the Scheme                                  | : | Eligible full-time employees including executive directors of the Company and its subsidiaries   |
| (iii) Maximum number of shares available for subscription        | : | Before 1st September 2001, the maximum number of shares in respect of which options may be granted under the Scheme and any other share option schemes of the Company cannot exceed 10% of the issued share capital of the Company from time to time. On or after 1st September 2001, it cannot exceed 10% of the issued share capital as at the date of approval of the Scheme. |
| (iv) Total number of shares available for issue under the Scheme | : | As at the date of this report, 89,273,678 shares (representing 8.6% of total issued share capital) are available for issue under the Scheme, of which 76,761,000 shares represents shares that will be issued upon exercise of outstanding options.  |
| (v) Maximum entitlement of each participant under the Scheme     | : | 25% of the aggregate number of shares issued and issuable under the Scheme   |

## SHARE OPTIONS (Continued)

### (a) Information of the share option scheme (Continued)

- (vi) The vesting period and exercise period of the option : The option is vested in the grantee on the later of (i) the expiry of 6 months after the date on which the option is accepted or (ii) the expiry of 12 months from the date of employment of such grantee with the Group, or such shorter period as the Board of Directors ("the Board") may from time to time determine.

Subject to the decision of the Board, the option is exercisable within a maximum period of 42 months from the date of vesting, provided that only up to one-third of the option can be exercised in any 12 month period.

- (vii) The amount payable on acceptance of the option and the period within which payment must be made : Nominal amount of HK\$1.00 upon acceptance of the option

- (viii) The basis of determining the exercise price : For options granted before 1st September 2001, their exercise price is determined by the Board and will not be less than 80% of the average closing prices of the Company's shares for the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is the higher.

For options granted on or after 1st September 2001, their exercise price is the highest of the nominal value of the shares, the closing price of the shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the date of grant and the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant.

- (ix) The remaining life of the Scheme : The Scheme will expire on 22nd August 2010.

# REPORT OF THE DIRECTORS

## SHARE OPTIONS (Continued)

(b) As at 30th June 2002, the executive directors and employees of the Group had the following interests under the Scheme:

Exercise price per share	Date of share options granted	Exercise period	At 1st July 2001	Granted during the year	Exercised during the year	Lapsed during the year	At 30th June 2002	Closing price of shares immediately before the date of options granted	Weighted average closing price of shares immediately before exercise of options
Directors (Note):									
HK \$0.7	28/9/2000	29/3/2001 – 8/10/2004	54,100,000	–	–	–	54,100,000	N/A	N/A
HK \$0.97	31/8/2001	1/3/2002 – 31/8/2005	–	7,900,000	–	–	7,900,000	1.23	N/A
Employees:									
HK\$0.7	28/9/2000	28/3/2001 – 27/3/2005	17,925,000	–	(5,211,322)	(3,102,678)	9,611,000	N/A	1.34
HK\$1.03	22/6/2001	22/12/2001 – 21/12/2005	2,265,000	–	(55,000)	(1,000,000)	1,210,000	N/A	1.41
HK\$0.97	31/8/2001	1/3/2002 – 28/2/2006	–	3,030,000	(200,000)	–	2,830,000	1.23	1.42
HK\$1.42	28/6/2002	29/12/2002 – 28/12/2006	–	1,380,000	–	–	1,380,000	1.40	N/A
Total			74,290,000	12,310,000	(5,466,322)	(4,102,678)	77,031,000		

## SHARE OPTIONS (Continued)

- (b) As at 30th June 2002, the executive directors and employees of the Group had the following interests under the Scheme (Continued):

The vesting period and exercise period of the options vary for individual grantees. The exercise period disclosed above is the maximum range which the exercise period of all the relevant options granted on a particular date can be fallen in between. For more details, please refer to Note (a) (vi) above. There were no options cancelled in accordance with the terms of the Scheme during the year.

*Note:* For more details of options granted to individual directors, please refer to “Directors’ interest in shares” in the Report of the Directors below.

- (c) **Value of options**

The directors consider that the disclosure of the estimated value of options granted pursuant to the Scheme is not appropriate due to the uncertainty and subjectivity involved in pricing these options.

## SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 34 to the accounts.

## DIRECTORS

The directors during the year and up to the date of this report were:

### Chairman

Jonathan Koon Shum Choi

### Executive directors

William Ka Chung Lam

Richard Yingneng Yin

Michael Koon Ming Choi

Mary Yuk Sin Lam

### Non-executive director

Douglas Ching Shan Hui

### Independent non-executive directors

Robert Tsai To Sze

Michael Wai Chung Wu

# REPORT OF THE DIRECTORS

## DIRECTORS (Continued)

In accordance with Article 87(1) of the Company's Bye-Laws, Mr. Michael Koon Ming Choi and Mr. Michael Wai Chung Wu will retire at the forthcoming Annual General Meeting but, being eligible, offer themselves for re-election.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 16 to 17.

## DIRECTORS' SERVICES CONTRACTS

Each of Mr. William Ka Chung Lam, Mr. Richard Yingneng Yin and Ms. Mary Yuk Sin Lam has entered into a service agreement with the Company for an initial period of three years commenced on 1st July 2000 which is not determinable within one year without payment of compensation. These service agreements shall continue thereafter until terminated by either party by giving to the other not less than six months' prior written notice and such notice will expire upon or after the initial terms of three years.

Save as aforesaid, none of the directors has entered into any service agreements with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above, none of the directors had a significant beneficial interest in any material contract in relation to the business of the Group to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries, was a party during the year.

## DIRECTORS' INTERESTS IN SHARES

As at 30th June 2002, the interests of the directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company were as follows:

### (i) Interest in ordinary shares of the Company

Name of director	Type of interest	Number of ordinary shares in the Company (excluding options)
Mr. Jonathan Koon Shum Choi*	Corporate	773,075,109
Ms. Mary Yuk Sin Lam	Personal	2,500,000

- \* Mr. Jonathan Koon Shum Choi is deemed to be interested in these 773,075,109 ordinary shares by virtue of the SDI Ordinance. Such interest in shares is also set out under the paragraph "Substantial Shareholders" shown on page 27.

## DIRECTORS' INTERESTS IN SHARES (Continued)

- (ii) Interest in common shares at par value of US\$0.04 each of Kingsway International Holdings Limited ("Kingsway International"), the ultimate holding company of the Company

Name of director	Personal interest	Family interest	Corporate interest	Other interest	Total number of common shares (excluding options)
Mr. Jonathan Koon Shum Choi **	10,101,596	–	26,828,055 (Note 1)	–	36,929,651
Mr. William Ka Chung Lam	8,534,250	–	–	6,338,995 (Note 2)	14,873,245
Ms. Mary Yuk Sin Lam	8,884,937	–	905,570 (Note 3)	–	9,790,507
Mr. Richard Yingneng Yin	1,749,999	–	–	–	1,749,999
Mr. Michael Koon Ming Choi	106,937	–	–	–	106,937
Dr. Douglas Ching Shan Hui	125,000	–	–	–	125,000

\*\* By virtue of his interest in Kingsway International, Mr. Jonathan Koon Shum Choi is deemed to be interested in the shares of the subsidiaries of Kingsway International under the SDI Ordinance.

*Note 1:* Of these, 12,750,000 shares are held by Sun Wah Capital Limited. Mr. Jonathan Koon Shum Choi is deemed to be interested in these shares as he is entitled to control the exercise or exercise of one third or more of the voting power at general meetings of Sun Wah Capital Limited.

The remaining 14,078,055 shares are held by Scarlet Red Limited. Mr. Jonathan Koon Shum Choi is deemed to be interested in these shares as he is entitled to control the exercise or exercise of one third or more of the voting power at general meetings of Scarlet Red Limited.

*Note 2:* These shares are held by Dynasty International Holdings Limited which is a wholly owned subsidiary of Global Fame Limited. Global Fame Limited is wholly owned by The WKC Lam Family Trust which is a discretionary trust with Mr. William Ka Chung Lam and his two children as the beneficiaries.

*Note 3:* These shares are held by Canadian Pioneer Consultants Limited. Ms. Mary Yuk Sin Lam is deemed to be interested in these shares as she is entitled to control the exercise or exercise of one third or more of the voting power at general meetings of Canadian Pioneer Consultants Limited.



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## DIRECTORS' INTERESTS IN SHARES (Continued)

### (iii) Interest in ordinary shares at par value of US\$0.1 each of HK Weaver Group Limited, a fellow subsidiary of the Company

Name of director	Type of interest	Number of ordinary shares
Mr. William Ka Chung Lam	Personal	42,819
Mr. Richard Yingneng Yin	Personal	88,138
Ms. Mary Yuk Sin Lam	Personal	45,319
Mr. Michael Wai Chung Wu	Personal	39,474

### (iv) Interest in options to acquire ordinary shares of the Company

Details of the movements of directors' interests in options during the year under the Scheme disclosed on page 21 of this report are as follows:

Name of director	Exercise price per share	Vesting period	Exercise period	Number of options held on 1/7/2001	Number of options granted on 31/8/2001 (Note)	Number of options held on 30/6/2002
Mr. Jonathan Koon Shum Choi	HK\$0.7	28/9/2000– 9/4/2001	9/4/2001– 8/10/2004	15,000,000	–	15,000,000
Mr. William Ka Chung Lam	HK\$0.7	28/9/2000– 29/3/2001	29/3/2001– 28/9/2004	15,000,000	–	15,000,000
Mr. Richard Yingneng Yin	HK\$0.7	28/9/2000– 29/3/2001	29/3/2001– 28/9/2004	13,600,000	–	13,600,000
	HK\$0.97	31/8/2001– 1/3/2002	1/3/2002– 31/8/2005	–	1,400,000	1,400,000
Ms. Mary Yuk Sin Lam	HK\$0.7	28/9/2000– 29/3/2001	29/3/2001– 28/9/2004	5,000,000	–	5,000,000
	HK\$0.97	31/8/2001– 1/3/2002	1/3/2002– 31/8/2005	–	6,000,000	6,000,000
Mr. Michael Koon Ming Choi	HK\$0.7	28/9/2000– 4/4/2001	4/4/2001– 3/10/2004	5,500,000	–	5,500,000
	HK\$0.97	31/8/2001– 1/3/2002	1/3/2002– 31/8/2005	–	500,000	500,000

Note: The market value of the Company's shares on 30th August 2001, i.e. the date before the options were granted, was HK\$1.23 per share.



## DIRECTORS' INTERESTS IN SHARES (Continued)

### (v) Interest in options to acquire common shares of Kingsway International

Pursuant to a share option plan operated by Kingsway International, certain directors had been granted options as at 30th June 2002 to subscribe for the shares of Kingsway International as follows:

Name of director	Exercise price per share (Note 2)	Exercise period	Number of options held on 1/7/2001	Number of options granted on 4/3/2002	Number of options held before share consolidation on 6/5/2002 (Note 1)	Number of options held after share consolidation on 6/5/2002 (Note 1)	Number of options exercised during the year (Note 2)	Number of options held on 30/6/2002 (Note 2)	Market value of share when options were exercised (Note 2)
Mr. Jonathan Koon Shum Choi	C\$1.6	8/7/1997–15/7/2002	6,500,000	–	6,500,000	1,625,000	(1,625,000)	–	C\$2.15
	C\$1.92	27/12/2000–26/12/2003	8,000,000	–	8,000,000	2,000,000	–	2,000,000	N/A
Mr. William Ka Chung Lam	C\$1.92	27/12/2000–26/12/2003	8,000,000	–	8,000,000	2,000,000	–	2,000,000	N/A
	C\$1.92	4/3/2002–1/3/2005	–	2,000,000	2,000,000	500,000	–	500,000	N/A
Mr. Richard Yingneng Yin	C\$1.92	27/12/2000–26/12/2003	8,000,000	–	8,000,000	2,000,000	–	2,000,000	N/A
Ms. Mary Yuk Sin Lam	C\$1.6	8/7/1997–15/7/2002	100,000	–	100,000	25,000	(25,000)	–	C\$2.2
Mr. Michael Koon Ming Choi	C\$0.8	17/12/1999–13/10/2003	1,000,000	–	1,000,000	250,000	–	250,000	N/A
Dr. Douglas Ching Shan Hui	C\$0.8	17/12/1999–13/10/2003	1,000,000	–	1,000,000	250,000	(125,000)	125,000	C\$2.2

*Note 1:* On 6th May 2002, the authorised and issued share capital of Kingsway International was consolidated on the basis of 4 shares into 1 share.

*Note 2:* These figures have been adjusted for the share consolidation as described in note 1 above.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN SHARES (Continued)

Save as disclosed above, as at 30th June 2002, none of the directors and chief executive had any interests in the shares of the Company and its associated corporations as defined in the SDI Ordinance, and none of the directors and chief executive or their spouses or children under 18 years of age had any rights to subscribe for the shares of the Company, or had exercised any such rights during the year.

Save as disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June 2002, the register of substantial shareholders, other than a director or chief executive of the Company, maintained under section 16(1) of the SDI Ordinance, shows that the Company has been notified of the following interest, being 10% or more of the Company's issued share capital:

Name of shareholders	Country of incorporation	Number of ordinary shares in the Company	
		Direct interest	Deemed interest
World Developments Limited	British Virgin Islands	773,075,109***	–
Innovation Assets Limited	British Virgin Islands	–	773,075,109***
Kingsway International Holdings Limited	Bermuda	–	773,075,109***

\*\*\* These shares represent the same interest and are therefore duplicated amongst World Developments Limited, Innovation Assets Limited and Kingsway International. World Developments Limited is a wholly owned subsidiary of Innovation Assets Limited whose entire issued share capital is beneficially owned by Kingsway International. Mr. Jonathan Koon Shum Choi beneficially owns or has control of approximately 48.26% of the issued share capital of Kingsway International and therefore is deemed (by virtue of the SDI ordinance) to be interested in these 773,075,109 shares.

Save as disclosed above, the Company has not been notified of any interests representing 10% or more of the issued share capital of the Company.

## MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## PRE-EMPTIVE RIGHTS

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

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group earned less than 30% of its turnover from its 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.

## CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year are disclosed in note 31 to the accounts. For those transactions which also constitute connected transactions and are required to be disclosed under Chapter 14 of the Listing Rules are disclosed as follows:

### (a) Lease arrangements between Billion On Development Limited and Kingsway International

By a sub-lease agreement dated 10th August 2000 ("Sub-Lease") between Billion On Development Limited (a wholly owned subsidiary of the Company) and Kingsway International, Billion On Development Limited ("Billion On") agreed to sub-lease a portion of the office premises in Hong Kong to Kingsway International for a term of six years from 1st July 2000 to 30th June 2006 at a monthly rental of HK\$113,750 for an initial term of 3 years and thereafter for the fourth year to sixth year at market rate, exclusive of rates, management fees, air conditioning and other utilities charges and other services (the "Other Charges"). Kingsway International shall pay the Other Charges by reference to the proportion of saleable floor area occupied by Kingsway International. The terms of the Sub-Lease were arrived at after arm's length negotiation and are on normal commercial terms.

## CONNECTED TRANSACTIONS (Continued)

### (a) Lease arrangements between Billion On Development Limited and Kingsway International (Continued)

Pursuant to a Supplemental Deed entered into on 1st August 2001 between Billion On and Kingsway International, the terms of the Sub-Lease were varied. The effect of the Supplemental Deed was to reduce the portion of the premises lease to Kingsway International due to a change in the business requirement of Kingsway International. As a result, the monthly rental and Other Charges was reduced to HK\$69,606 and HK\$16,656 respectively. Except for the above, all other terms of the Sub-Lease remained unchanged. The reduced monthly rental was calculated by reference to the portion of saleable floor area occupied by Kingsway International at the same rate as the Sub-Lease. No compensation or monetary consideration was payable by any party for such reduction. The transaction was conducted at arm's length and on normal commercial terms comparable to those in the same building. Due to this reduction, the transaction is no longer subject to any disclosure or shareholders' approval requirement under Rule 14.24(5) of the Listing Rules and the conditions attached to the conditional waiver as imposed by The Stock Exchange on 12th September 2000 are no longer applicable.

### (b) Fees received by the Group from Mr. Jonathan Koon Shum Choi ("Mr. Choi") and his associates (as defined in the Listing Rules)

Mr. Choi and his associates may engage the Group from time to time to provide financial advisory and related services under normal commercial terms and it is expected that the fees received from the Group for the provision of such financial advisory or related services will not be substantial and will not exceed HK\$10,000,000 for any financial year. The directors confirm that any future engagement of the Group for the provision of financial advisory and related services will be entered into on normal commercial terms in the ordinary course of business of the Group and in the interests of the Group. The fees received by the Group from Mr. Choi and his associates amounted to HK\$1,030,000 for the year ended 30th June 2002 (2001: HK\$984,955).

### (c) Sale of Hani Securities (H.K.) Limited ("Hani Securities")

SW Kingsway Capital Group Limited ("SWKCG"), a wholly owned subsidiary of the Company, entered into an agreement with Hong Kong Hani (Holdings) Limited ("Hani Holdings") on 29th June 2002 (the "Agreement") pursuant to which SWKCG agreed to dispose to Hani Holdings its 60% interest in the issued share capital of Hani Securities ("the Disposal") for a cash consideration of HK\$13,904,691. The consideration was equivalent to SWKCG's cost of acquisition of the same interest in Hani Securities on 10th April 2002.

## CONNECTED TRANSACTIONS (Continued)

### (c) Sale of Hani Securities (H.K.) Limited (“Hani Securities”) (Continued)

Hani Holdings was a substantial shareholder of Hani Securities and owned approximately 11% interest in the issued share capital of Hani Securities as at the date of the Agreement. Mr. Yeung Yiu Bong, Anthony and Mr. Cheung Kai Kwong were directors of Hani Securities and the controlling shareholder of Hani Holdings as defined in the Listing Rules. The disposal of the Company’s 60% interest in Hani Securities was therefore to a connected person as defined in the Listing Rules and constituted a connected transaction to the Company.

Due to differences in the management philosophy between Hani Securities and the Group, the directors were of the view that the terms of the Disposal were fair and reasonable and in the best interest of the Company’s shareholders.

The independent non-executive directors, Mr. Robert Tsai To Sze and Mr. Michael Wai Chung Wu, have reviewed the transactions as disclosed in note (a) and (b) above and confirmed that:

- (a) the transactions have been entered into in the ordinary and usual course of business;
- (b) the transactions have been entered into either (i) on normal commercial terms whose expression will be applied by reference to transactions of a similar nature and to be made by similar entities or (ii) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (c) the transactions have been carried out in accordance with the terms of the agreements governing such transactions or where there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
- (d) the aggregate amount of the “Fees received by the Group from Mr. Jonathan Koon Shum Choi and his associates (as defined in the Listing Rules)” for the year ended 30th June 2002 did not exceed the cap amount of HK\$10 million.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with The Code of Best Practice as set out by The Stock Exchange in Appendix 14 to the Listing Rules, except that non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation according to the provisions of the Company’s Bye-Laws.

# REPORT OF THE DIRECTORS

## AUDIT COMMITTEE

An audit committee of the Board of Directors was established on 10th August 2000. Written terms of reference which set out the authorities and duties of the audit committee were adopted by the Board of Directors on the same date. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has two members comprising the two independent non-executive directors. Mr. Robert Tsai To Sze is the Chairman of the audit committee.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules:

- (1) Kingsway International and its subsidiaries other than those in the Group ("Kingsway International Group") are mainly engaged in direct and regional investments, the development, production and distribution of software products and the provision of technical services relating to the financial markets in Hong Kong and Asia Pacific countries, and the provision of other financial services in Australia and Canada. The Company has entered into a non-competition undertaking with Kingsway International on 25th August 2000 ("the Kingsway International Undertaking"). According to the Kingsway International Undertaking, Kingsway International shall not, and shall procure Kingsway International Group not to, among other things, engage in the provision of financial, advisory, stockbroking, financing, fund management and futures brokerage services relating to stocks and futures in Hong Kong. Kingsway International has also undertaken not to, and will procure Kingsway International Group not to, apply for or obtain licenses to conduct such services in Hong Kong. In addition, investment in securities for the Group and the Kingsway International Group are performed independently from each other.
- (2) The Company and Mr. Jonathan Koon Shum Choi ("Mr. Choi") on 10th August 2000 has entered into a non-competition undertaking ("the Choi's Undertaking"). According to the Choi's Undertaking, Mr. Choi shall not, and shall procure the covenantors (as defined therein) not to, among other things, engage in the provision of financial, advisory, stockbroking, financing, fund management and futures broking services relating to stocks and futures in Hong Kong which may only be lawfully provided by a registered person (as defined therein) but excluding the provision of financial accommodation which does not fall within the definition of "securities margin financing" for the purposes of the Hong Kong Securities Ordinance in competition with the Group.



## RETIREMENT SCHEME

The Group operates a pension scheme ("MPF Scheme") since 1st December 2000 under rules and regulations of the Hong Kong Mandatory Provident Fund ("MPF") Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group has chosen to follow the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income which is further subject to the relevant monthly income cap of HK\$20,000 imposed by MPF Scheme Ordinance. The contributions are charged to the profit and loss account as incurred. Employer's contribution to the MPF Scheme charged to profit and loss account amounted to HK\$1,134,826 (2001: HK\$348,746) for the year ended 30th June 2002. There were no forfeited contributions available to reduce future contributions (2001: HK\$Nil) at 30th June 2002.

## AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Jonathan Koon Shum Choi**

*Chairman*

Hong Kong, 7th October 2002