

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 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 34 to the accounts.

The analysis of the principal activities and geographical locations of the operations of the Group are set out in note 12 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th June 2003 are set out in the consolidated profit and loss account on page 31.

Interim dividend for the year ended 30th June 2003 of 0.33 HK cents per ordinary share, as adjusted for the bonus issue disclosed below, was paid on 31st March 2003. The directors propose, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of 0.33 HK cents per ordinary share for the year.

BONUS ISSUE

Pursuant to resolutions passed on a special general meeting held on 25th March 2003 (“SGM”), a bonus issue on the basis of 2 bonus shares for every 1 share held by the shareholders whose names appeared on the Register of Members at the close of business on 24th March 2003 was approved. On 28th March 2003, the Company issued 2,082,088,218 new shares of HK\$0.1 each pursuant to the bonus issue.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, total assets and total liabilities of the Group for the last five financial years is set out on page 72.

RESERVES

Movements in the reserves of the Group during the year are set out in note 28 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$562,000 (2002: HK\$815,000).

FIXED ASSETS

Movements in fixed assets of the Group during the year are set out in note 14 to the accounts.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 27 to the accounts.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 30th June 2003 consisted of contributed surplus of HK\$231,309,880 (2002: HK\$271,022,350) less accumulated losses of HK\$72,164,907 (2002: retained profits of HK\$30,410,992).

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

Details of the share option scheme (the "Scheme") approved by the shareholders of the Company on 23rd August 2000 are summarised as follows:

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| (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, 262,417,034 shares (representing 8.4% of total issued share capital) are available for issue under the Scheme, of which 225,380,000 shares represents shares that will be issued upon exercise of outstanding options. |

REPORT OF THE DIRECTORS

SHARE OPTIONS (Continued)

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

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| (v) | Maximum entitlement of each participant under the Scheme | : | 25% of the aggregate number of shares issued and issuable under the Scheme. |
| (vi) | Minimum period for which an option must be held before it can be exercised and the exercise period of the option | : | Subject to the decision of the Board of Directors ("the Board"), the exercise period of the option cannot exceed a period of 42 months commencing 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 may from time to time determine, provided that only up to one-third of the option granted can be exercised in any 12 month period. |
| (vii) | Amount payable on acceptance of the option and the period within which payment must be made | : | Nominal amount of HK\$1 upon acceptance of the option |
| (viii) | 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 business days immediately preceding the date of grant.

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|------|------------------------------|---|---|
| (ix) | Remaining life of the Scheme | : | The Scheme will expire on 22nd August 2010. |
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REPORT OF THE DIRECTORS

SHARE OPTIONS (Continued)

(b) As at 30th June 2003, the executive directors and employees of the Group had the following interests under the Scheme:

Date of share options granted	Exercise period	Exercise price per share		Movements before bonus issue						Movements after bonus issue			
				At 1st July 2002	Granted during the period	Exercised during the period	Lapsed during the period	Options	Options	Granted during the Period	Exercised during the period	Lapsed during the period	At 30th June 2003
		outstanding	outstanding										
		Before adjustment	After adjustment (Note 1)					immediately before bonus issue	immediately after bonus issue (Note 1)				
Directors (Note 2):													
28/9/2000	29/3/2001 – 8/10/2004	0.7	0.2333	54,100,000	–	–	–	54,100,000	162,300,000	–	–	(40,800,000)	121,500,000
31/8/2001	1/3/2002 – 31/8/2005	0.97	0.3233	7,900,000	–	–	–	7,900,000	23,700,000	–	–	(4,200,000)	19,500,000
20/12/2002	2/12/2003 – 1/6/2007	1.15	0.3833	–	10,000,000 (Note 3)	–	–	10,000,000	30,000,000	–	–	–	30,000,000
Employees:													
28/9/2000	28/3/2001 – 27/3/2005	0.7	0.2333	9,611,000	–	(410,000) (Note 4)	(585,000)	8,616,000	25,848,000	–	(2,714,000) (Note 4)	(834,000)	22,300,000
22/6/2001	22/12/2001 – 21/12/2005	1.03	0.3433	1,210,000	–	–	(600,000)	610,000	1,830,000	–	–	(90,000)	1,740,000
31/8/2001	1/3/2002 – 28/2/2006	0.97	0.3233	2,830,000	–	–	(540,000)	2,290,000	6,870,000	–	–	(870,000)	6,000,000
28/6/2002	29/12/2002 – 28/12/2006	1.42	N/A	1,380,000	–	–	(1,380,000)	–	–	–	–	–	–
20/12/2002	2/10/2003 – 1/4/2007	1.15	0.3833	–	1,000,000 (Note 3)	–	–	1,000,000	3,000,000	–	–	–	3,000,000
4/4/2003	5/10/2003 – 4/4/2007	N/A	0.363	–	–	–	–	–	–	24,000,000 (Note 5)	–	–	24,000,000
Total				77,031,000	11,000,000	(410,000)	(3,105,000)	84,516,000	253,548,000	24,000,000	(2,714,000)	(46,794,000)	228,040,000

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

REPORT OF THE DIRECTORS

SHARE OPTIONS (Continued)

(b) As at 30th June 2003, the executive directors and employees of the Group had the following interests under the Scheme (Continued):

Notes:

1. These figures have been adjusted for the bonus issue as detailed in the section “Bonus issue” on page 15.
2. For more details of options granted to individual directors, please refer to the section “Directors’ and chief executives’ interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation” on page 21.
3. At the date before the options were granted, 19th December 2002, the closing price of the shares was HK\$0.3833 (after the bonus issue adjustment in Note 1 above).
4. The weighted average closing price of the shares immediately before the dates of exercise of these options was HK\$0.37 per share (after the bonus issue adjustment in Note 1 above).
5. At the date before the options were granted, 3rd April 2003, the closing price of the shares was HK\$0.355.

(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 modeling and pricing these options.

SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 35 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

Mary Yuk Sin Lam

Michael Wai Chung Wu (appointed as executive director and resigned as independent non-executive director on 1st December 2002)

Michael Koon Ming Choi

REPORT OF THE DIRECTORS

DIRECTORS (Continued)

Non-executive directors

Douglas Ching Shan Hui

Richard Yingneng Yin (appointed as non-executive director and
resigned as executive director on 1st April 2003)

Independent non-executive directors

Robert Tsai To Sze

Raymond Wai Yung Wu (appointed on 1st December 2002)

In accordance with Article 87(1) of the Company's Bye-Laws, Mr. Richard Yingneng Yin will retire at the forthcoming Annual General Meeting and will not stand for re-election, and Dr. Douglas Ching Shan Hui and Mr. Robert Tsai To Sze 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 13 to 14.

DIRECTORS' SERVICES CONTRACTS

None of the directors, who proposed for re-election at the forthcoming Annual General Meeting, 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.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30th June 2003, the interests and/or short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV the Hong Kong Securities and Futures Ordinance ("SFO")), as recorded in the register maintained under Section 352 of the SFO or as notified to the Company were as follows:

(i) Interest in long positions of ordinary shares of the Company

Name of director	Type of interest	Number of ordinary shares in the Company*
Mr. Jonathan Koon Shum Choi**	Corporate	2,318,205,327
Ms. Mary Yuk Sin Lam	Personal	7,500,000
Mr. Michael Wai Chung Wu	Personal	2,514,000

* Exclude interest in options to acquire ordinary shares of the Company which is disclosed in section (iv) below.

** Mr. Jonathan Koon Shum Choi is deemed to be interested in these 2,318,205,327 ordinary shares by virtue of the SFO. Such interest in shares is also set out under the section "Substantial shareholders' interests and short positions in the shares and underlying shares of the Company" shown on page 26.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

- (ii) Interest in long positions of common shares of 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*
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. Michael Koon Ming Choi	106,937	–	–	–	106,937
Dr. Douglas Ching Shan Hui	125,000	–	–	–	125,000

* Exclude interest in options to acquire common shares of Kingsway International which is disclosed in section (v) below.

** By virtue of his interest in Kingsway International, Mr. Jonathan Koon Shum Choi is deemed to be interested in the shares of the subsidiaries (including the Company as disclosed in section (i) above) of Kingsway International under the SFO.

Notes:

- 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 exercise or control the 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 exercise or control the exercise of one third or more of the voting power at general meetings of Scarlet Red Limited.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

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

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.
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 exercise or control the exercise of one third or more of the voting power at general meetings of Canadian Pioneer Consultants Limited.

(iii) Interest in long positions of ordinary shares of 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	10,144
Mr. Richard Yingneng Yin	Personal	38,661
Ms. Mary Yuk Sin Lam	Personal	28,518
Mr. Michael Wai Chung Wu	Personal	39,474

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

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

Details of the directors' interests in options under the Scheme disclosed on page 18 of this report are as follows:

Name of director	Exercise period	Exercise price per share		Movements before bonus issue			Movements after bonus issue		
		Before adjustment HK\$	After adjustment HK\$ (Note 1)	Number of options held on 1/7/2002	Number of options granted on 20/12/2002	Number of options held immediately before bonus issue	Number of options held immediately after bonus issue	Number of options lapsed during the period	Number of options held on 30/6/2003
Mr. Jonathan Koon Shum Choi	9/4/2001– 8/10/2004	0.7	0.2333	15,000,000	–	15,000,000	45,000,000	–	45,000,000
Mr. William Ka Chung Lam	29/3/2001– 28/9/2004	0.7	0.2333	15,000,000	–	15,000,000	45,000,000	–	45,000,000
Mr. Richard Yingneng Yin	29/3/2001– 28/9/2004	0.7	0.2333	13,600,000	–	13,600,000	40,800,000	(40,800,000)	–
	1/3/2002– 31/8/2005	0.97	0.3233	1,400,000	–	1,400,000	4,200,000	(4,200,000)	–
Ms. Mary Yuk Sin Lam	29/3/2001– 28/9/2004	0.7	0.2333	5,000,000	–	5,000,000	15,000,000	–	15,000,000
	1/3/2002– 31/8/2005	0.97	0.3233	6,000,000	–	6,000,000	18,000,000	–	18,000,000
Mr. Michael Koon Ming Choi	4/4/2001– 3/10/2004	0.7	0.2333	5,500,000	–	5,500,000	16,500,000	–	16,500,000
	1/3/2002– 31/8/2005	0.97	0.3233	500,000	–	500,000	1,500,000	–	1,500,000
Mr. Michael Wai Chung Wu	2/12/2003– 1/6/2007	1.15	0.3833	–	10,000,000 (Note 2)	10,000,000	30,000,000	–	30,000,000

Notes:

- These figures have been adjusted for the bonus issue as detailed under the section "Bonus issue" on page 15.
- At the date before the options were granted, 19th December 2002, the closing price of the shares was HK\$0.3833 (after the bonus issue adjustment in Note 1 above).

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (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 to subscribe for the shares of Kingsway International as follows:

Name of director	Exercise price per share	Exercise period	Number of options held on 1/7/2002 and 30/6/2003
Mr. Jonathan Koon Shum Choi	C\$1.92	27/12/2000–26/12/2003	2,000,000
Mr. William Ka Chung Lam	C\$1.92	27/12/2000–26/12/2003	2,000,000
	C\$1.92	4/3/2002–1/3/2005	500,000
Mr. Richard Yingneng Yin	C\$1.92	27/12/2000–26/12/2003	2,000,000
Mr. Michael Koon Ming Choi	C\$0.8	17/12/1999–13/10/2003	250,000
Dr. Douglas Ching Shan Hui	C\$0.8	17/12/1999–13/10/2003	125,000

There were no options granted to or exercised by directors during the current year.

Save as disclosed above, as at 30th June 2003, none of the directors and chief executives had any interests or short positions in the shares of the Company and its associated corporations as defined in the SFO, and none of the directors and chief executives or their spouses or children under 18 years of age had been granted any rights to subscribe for the shares of the Company, or had exercised any such rights during the year.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (CONTINUED)

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 or chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30th June 2003, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives and represents long positions in the shares of the Company.

Name of shareholders	Country of incorporation	Number of ordinary shares in the Company		Notes
		Direct interest	Deemed interest	
1. World Developments Limited	British Virgin Islands	2,318,205,327	–	(a)
2. Innovation Assets Limited	British Virgin Islands	–	2,318,205,327	(a)
3. Kingsway International Holdings Limited	Bermuda	–	2,318,205,327	(a)
4. Paddison Limited	Hong Kong	210,000,000	–	(b)
5. China Trust and Investment Corporation for Foreign Economic Relations & Trade	People's Republic of China	–	210,000,000	(b)
6. China National Chemicals Import & Export Corporation	People's Republic of China	–	210,000,000	(b)

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Notes:

- (a) 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 48.18% of the issued share capital of Kingsway International and therefore is deemed (by virtue of the SFO) to be interested in these 2,318,205,327 shares.
- (b) These shares represent the same interest and are therefore duplicated amongst Paddison Limited, China Trust and Investment Corporation for Foreign Economic Relations & Trade and China National Chemicals Import & Export Corporation. Paddison Limited is a wholly owned subsidiary of China Trust and Investment Corporation for Foreign Economic Relations & Trade whose entire issued share capital is beneficially owned by China National Chemicals Import & Export Corporation.

Save as disclosed above, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

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.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year which are not required to be disclosed pursuant to Chapter 14 of the Listing Rules are disclosed in note 33 to the accounts.

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 are not appointed for a specific term but are subject to retirement by rotation according to the provisions of the Company's Bye-Laws.

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 Size 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESS (Continued)

- (2) The Company and Mr. Jonathan Koon Shum Choi ("Mr. Choi") has entered into a non-competition undertaking ("the Choi's Undertaking") on 10th August 2000. According to the Choi's Undertaking, Mr. Choi shall not, and shall procure the covenanters (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 (which was repealed on 1st April 2003 and replaced by the SFO) in competition with the Group.

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, 14th October 2003