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**TAI FOOK SECURITIES GROUP LIMITED**  
*(Incorporated in Bermuda with limited liability)*

**ANNOUNCEMENT**  
**PROGRESS OF THE INCIDENT OF SUSPECTED FRAUDULENT ACTS**  
**COMMITTED BY AN EMPLOYEE**

The Board would like to report the further development of the Incident and the estimated potential loss resulting from the Incident.

Reference is made to the announcement of the Company dated 26 March 2003 (“previous Announcement”) containing information relating to the incident of suspected fraudulent acts involving clients’ assets committed by an employee of TFS (“Incidence”), an indirect wholly-owned subsidiary of the Company. Unless otherwise stated, terms used herein shall have the same meaning as defined in the announcement of the Company dated 26 March 2003.

The Board would like to report that on 2 June 2003, at the request of the Securities and Futures Commission, TFS had appointed KPMG as an independent accountant to conduct an investigation into the alleged acts of misappropriation of clients’ assets committed by an employee of TFS so as to assess the extent of clients’ assets misappropriated and the quantum of the losses suffered by TFS and its clients. According to the findings of the Investigation Report of KPMG dated 18 July 2003, the potential loss of those affected clients amounts to approximately HK\$8 million. The Board considers that the potential loss does not have a material adverse impact on the financial position of the Company. Since the discovery of the Incidence, TFS has further strengthened its internal control system especially in relation to issuance of crossed cheques in name of third party upon request of account holder so as to protect its assets and those of its clients. Moreover, TFS has lodged claim for the loss to the extent covered by the Brokers’ Fidelity Insurance Policy.

Notwithstanding the publication of the previous Announcement, TFS only received a few enquiries from its clients concerning the Incidence and did not observe any adverse impact on its businesses and operations.

Save as disclosed above, the Board is not aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

By Order of the Board  
**Wong Shiu Hoi, Peter**  
*Managing Director*

Hong Kong, 24 July 2003

“Please also refer to the published version of this announcement in The Standard”