

Chairman's Statement

I am pleased to report the activities of South China Brokerage Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2002.

BUSINESS REVIEW

The slow economy worldwide and the low turnover in the local securities and futures markets have dragged on for more than two years. Notwithstanding the low interest rate and the incentives offered by the property developer to stimulate property sales, the deflationary environment has led to reduced consumer spending.

With the low turnover in the local securities and futures markets, commission income from broking and interest income from share margin financing fell. Trading in equities made a loss. Certain long term investments were also realized at a loss. The corporate advisory operations performed well and have taken on a number of underwriting and initial public offering assignments. Despite satisfactory interest income from personal loan operations, additional provision had to be made due to a high delinquency rate. The commercial property at Lippo Centre was substantially let out and has started to generate rental income.

The Group has gone through repeated cost cutting exercises on both direct and indirect costs involving reduction in headcounts and salaries and consolidation of branch offices.

Overall, the Group's turnover dropped approximately 19% to HK\$103 million and recorded a loss of HK\$226 million.

OUTLOOK

The war in the Middle East has delayed the recovery of the worldwide economy. But now more attention has turned to China as a place of shelter. Turnover on H-shares and red chip shares has picked up. Even before the minimum commission rate for securities broking was abolished with effect from 1 April 2003, securities dealers have been competing vigorously through pricing, and they have also been facing extremely keen competition from banks offering securities broking and related services. The abolition of the minimum commission rate is bound to have significant impact on commission revenue in particular for retail sales unless the commission rate can be justified through the quality of services. The focus of securities and futures broking will gradually shift to online trading. The new policy on migrants shall help attract new investments to Hong Kong. As more PRC companies will seek to list in Hong Kong, demand for professional advisory services will increase. The outbreak of atypical pneumonia has severely affected the tourist, retail and related industries and the recovery of the Hong Kong economy would be delayed.

The Group will continue to control costs in order to face the tough market conditions. We will capitalize on the Group's exposure in Mainland China to seek more business opportunities from there.

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APPRECIATION

On behalf of the Board, I wish to express my gratitude to our shareholders and clients for their support and all our staff for their hard work and dedicated service.

Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
25 April 2003