

CHAIRMAN'S STATEMENT

I am pleased to report the activities of the Group for the year 2000.

REVIEW

The Hong Kong economy recovered substantially from the Asia financial crisis and had a strong rebound in 2000, with real GDP growth of 10.5%. After the clarification of the government's 85,000 units housing program and reduction in its land sales policy, the residential property market turned more active. Consumer spending also picked up and the unemployment rate has improved. The number of tourists visiting Hong Kong increased. But the bursting of the "dot com" companies bubble caused a cool down of the investment fever of the first quarter of the year. Investors turned more cautious. The average daily turnover of the stock market decreased significantly from HK\$17.3 billion in the first quarter 2000 to HK\$7.8 billion in the last quarter. The Group turnover for the year was HK\$255.6million, representing a 60% increase as compared with last year.

Due to a strong first quarter in 2000, commission income from securities broking was boosted but only increased moderately as compared to the previous year while placements and underwriting of securities dropped due to the sluggish market. Commission income from foreign securities grew substantially. Contributions from retail branch offices were satisfactory. A total of 13 branch offices have been in operation, increasing the number from 11 in 2000.

Interest income from margin finance business showed a good improvement. The Group's efforts in the development of a personal loan business in 2000 made progress. A total of 5 branch offices were in operation in 2000. Fee income from corporate finance advisory work dropped due to market conditions. The Group has developed a trading engine to support AMS/3 operations. Trading income improved but after the provision on the investment portfolio produced a loss. The research department continued to produce quality reports and analysis which were well received by the institution investors. The research reports and real time market comment and daily recommendations are also available on our website. Due to the setting up of the personal loan business and the online trading operation together with the increase in turnover, the administrative expenses increased.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has obtained facilities which are renewable on a yearly basis from a number of banks. The facilities are mainly for the share margin finance operations which are secured by the securities of the Group and the clients. The utilization of the facilities is dependent on the margin loan portfolio. Other funding sources are commission, interest and trading income. In February 2000, the Group raised approximately HK\$63 million through a placement of warrants. During the year, the Group had also sold approximately 10 million shares of Hong Kong Exchanges and Clearing Limited for a gross proceeds of approximately HK\$146 million. The Group's minority investment in Taiwan Core Pacific Securities Investment Trust Co., Ltd was sold for HK\$25 million.

With the cash held as well as available banking facilities, the Group has had a sound liquidity position.

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As at 31 December 2000, the Group's total bank borrowing, apart from for share margin finance business, amounted to HK\$25.8 million, which, when related to the Group's shareholders' fund, resulted in a gearing ratio of approximately 6.2%.

Details of bank borrowings of the Company and the Group at balance sheet date are set out in note 23 to the financial statement.

INVESTMENTS

During the year, the Group's portfolio of Hong Kong listed securities increased. A provision for diminution in value on the Group's long term investment portfolio of Hong Kong listed securities has been made.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Company and the Group at balance date are set out in note 29 to the financial statements.

STAFF

The total number of staff as at 31 December 2000 was approximately 260.

Remuneration packages are normally reviewed by senior management annually with increments compatible to the market. Special increments may be granted when warranted. Apart from salary payment, other staff benefits include medical subsidies, life insurance, provident fund and subsidised external training programmes. Bonus payments may also be made based on performances of individual staff. Share options have also been granted to certain employees of the Group.

OUTLOOK

Hong Kong and its stock markets will continue to be strongly influenced by economic policy and developments in stock markets in the USA as well as China's ability to maintain its high economic growth rate. The recent cuts in US interest rates augur well for some recovery in the economy in the second half of the year. China continues to adopt growth policies. Hong Kong and its stock market should benefit from these developments

China's new policy on allowing local investors to buy foreign currency B shares will stimulate the interest in the H-shares and red chip shares in Hong Kong. With the promotion of Hong Kong as the market for the listing of PRC companies, more corporate finance opportunities will arise.

The Group will continue to focus on securities broking as its core business but the traditional mode of operations will shift increasingly to the online mode. We have prepared for this change with the setting up of the trading platform "sctrade.com". It is expected that there will be considerable potential for the volume of transactions to grow substantially owing to the ease of trading through online on lower commission rates. Although the abolition of the minimum commission charge will definitely affect profitability, we have confidence in the growth prospects for online trading.

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In order to maintain competitiveness and increase market share, the Group will continue to diversify its existing business and the products offered to clients and utilise our branch offices more fully. The corporate finance department will expand to capture more business and our institutional sales department is being expanded.

Another area of business expansion is personal loan finance which is progressing. More branch offices will be opened in strategic locations. The Group has recruited experienced senior executives to manage both the internet securities and personal loan operations, which are the new businesses for development. Other investment opportunities that are strategically complementary to the core business will also be pursued. The directors are optimistic about the performance of the Group in the year 2001 notwithstanding a slow first quarter.

APPRECIATION

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

By Order of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
24 April 2001