

CHAIRPERSON'S STATEMENT

I am pleased to announce the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2002.

Suffering from stiff market condition in the region in 2001/2002 due to the global economic downturn and the September 11 terrorist attacks in US, the Group recorded a 33% decline in turnover for the year to HK\$89.5 million (2001: HK\$134.2 million) and a profit attributable to shareholders of HK\$35.7 million compared with HK\$105.2 million for 2001.

The Directors recommend a final dividend of HK17 cents per share for the year ended 31 March 2002 to shareholders whose names appear on the Register of Members at the close of business on 26 July 2002.

BUSINESS REVIEW

Revenue by business segments

Securities and futures broking

Amid the US economic slowdown and with Japan heading into another recession, global economies continued to shrink in 2001/2002. The ongoing effects of the bursting of the tech bubble and the September 11 attacks fueled the further deterioration in the economic picture. These factors fueled falling property prices and a rising unemployment rate locally. Investor sentiment in Hong Kong worsened, dragging the Hong Kong stock market daily turnover down by 35% in the year. Income from securities and futures broking, together with related custodian services, plunged in line with the market to HK\$51.0 million for the year (2001: HK\$78.4 million).

Corporate finance advisory and placements/underwriting/sub-underwriting

On account of the depressed market conditions, total earnings from our corporate finance operations were HK\$14.0 million (2001: HK\$20.3 million), of which HK\$2.3 million was derived from placements and underwriting and HK\$11.7 million from corporate finance and corporate advisory businesses, respectively. With the hiring of a new corporate finance team in September and a tentative market revival in the second half, income from corporate finance and corporate advisory work for the second six months rose to HK\$8.2 million as opposed to HK\$3.5 million in the first half. During the year, the corporate finance team completed three IPOs and seventeen financial advisory assignments including eight transactions related to the Takeovers Code.

CHAIRPERSON'S STATEMENT (Continued)

Investment and trading of securities

Despite the gloomy outlook and the turbulent trading environment, the Group increased its investment and trading in securities during the year and bolstered its capital employed in this area to HK\$52.8 million at 31 March 2002.

The Group sold its remaining 304,500 shares in the Hong Kong Exchanges and Clearing Limited ("HKEx"), which were received in exchange for 1 share in Hong Kong Futures Exchange Limited ("HKFE") when it was demutualised in March 2000. The disposal realised HK\$4.2 million in profits.

Given its exceptional nature, the gains realised from the disposal of the HKEx shares have been excluded from the Group turnover as reported in the income statement. The profits are incorporated in the separate line item "Other Revenue" in the income statement.

Corporate and other segment

Included in corporate and other is interest income of HK\$15.6 million for the year, approximately a 53.1% decline from last year. The Group recorded a decline in interest accruing from bank deposits and from financing clients, primarily caused by the numerous interest rate cuts, in concert with reduced bank balances over the year. On account of the total HK\$98.6 million payments for the last final and interim dividends and bonus, the Group's cash balance was reduced by HK\$73.8 million during the year to HK\$351.1 million at 31 March 2002.

Costs

Corresponding to the drop in Group revenue in the year, we saw a 23.6% decrease in other operating expenses. During the year, the Group increased the commission sharing ratios to salespeople, given the prevailing market conditions. This, combined with high staff turnover and expansion of the corporate finance team, saw staff costs rise slightly amid the decline in turnover during the year.

Liquidity and financial conditions

The Group had cash reserves of HK\$351.1 million, which excludes HK\$159.2 million of client funds that are kept in separate designated bank accounts, as at 31 March 2002. Most cash reserves were placed in HK\$ and US\$ short-term deposits with major banks in Hong Kong.

Gearing ratio is measured on the basis of the Group's total interest bearing debt, net of its own cash reserves, over the Company's shareholders' funds, as of the reporting date. Net of debt balances, the Group had net surplus cash of HK\$334.6 million and HK\$400.1 million at the close of 31 March 2002 and 31 March 2001, respectively. As such, a gearing ratio, as required under paragraph 40(2) of Appendix 16 to the Listing Rules, at these two days did not exist.

CHAIRPERSON'S STATEMENT (Continued)

EMPLOYMENT AND REMUNERATION POLICY

The Group employed 64 staff at the year end date. Remuneration packages including basic salaries, commissions, bonuses, provident funds, and other kinds of staff benefits are competitive and are performance based. The Group also granted share options to certain directors and staffs of the Group under the Employees' Share Option Scheme.

DISPOSAL OF BROKERAGE BUSINESS COMPANIES

On 28 February 2002, the Company entered into a disposal agreement with a fellow subsidiary, Kim Eng Investment Limited ("KEI"), pursuant to which the Company would dispose of its entire direct or indirect equity interests in Kim Eng Securities (Hong Kong) Limited, Kim Eng Futures (Hong Kong) Limited and Kim Eng Nominees (Hong Kong) Limited (collectively defined as the "Brokerage Business Companies" hereafter), all being wholly owned subsidiaries of the Company, to KEI for an aggregate cash consideration of HK\$159,473,220. The disposal was approved by independent shareholders at an extraordinary general meeting held on 15 April 2002 and was completed on 22 May 2002.

The disposal of the Brokerage Business Companies was unequivocally concluded by Kim Eng Ong Asia Holdings Ltd ("Kim Eng Singapore") and the Directors that this represents the best solution to resolve the breach of a deed of non-competition entered into between Kim Eng Singapore and the Company on 5 January 1998, to minimise the potential conflicts of interests between Kim Eng Singapore and the Group and to protect, appropriately, the interests of the Company and its minority shareholders.

Reference can be made to the Company's interim report for details in respect of the breach of the deed of non-competition.

Upon completion of the disposal, the Group will no longer participate in the disposed business, including securities and futures broking, provision of margin financing, placing and underwriting and nominee and custodian services. Thereafter, the Group will be principally engaged in corporate finance, corporate advisory and investment and trading in securities. Further details of the disposal are set out in the Company's announcements dated 6 March 2002 and 24 May 2002.

Alongside, KEI also made the voluntary unconditional cash offer to acquire all the issued shares of the Company not already owned by KEI or parties acting in concert with it at HK\$5.22 per share upon the completion of disposal of the Brokerage Business Companies. As stated in the composite offer document dated 24 May 2002 despatched to shareholders, the offer was open from 24 May 2002 to 14 June 2002, both days inclusive. Total 21,569,400 shares were tendered for the acceptance of the general offer at the close of the offer.

CHAIRPERSON'S STATEMENT (Continued)

PROSPECTS

Following the disposal of the Brokerage Business Companies, the Company will principally continue to carry on its corporate finance and corporate advisory businesses. The Group will then no longer participate in the disposed business pursuant to the new deed of non-competition entered into between Kim Eng Singapore and the Company on 28 February 2002. It is also the intention of KEI and Kim Eng Singapore to maintain the listing of the Company on the Stock Exchange after the close of the offer. With improved market conditions and enlarged corporate finance teams, we saw a strong revival in turnover of the corporate finance operation, particularly in the second half.

Looking ahead, China's accession to the World Trade Organisation and increasing evidence affirming the recovery in the US economy will likely benefit the Hong Kong economy and help haul the capital markets out of the trough. Following a subsidiary of the Company successfully gaining admission to the list of GEM sponsors, in October 2001, we are cautiously optimistic that we can gain more business opportunities and sustain the growth of our corporate finance and advisory businesses given our strengths and competencies. The corporate finance division has been mandated to act as lead sponsor for a number of IPO applications that are expected to be completed in 2002.

APPRECIATION

On behalf of the Board, I would like to extend thanks to all our customers and shareholders for their continued support and to our fellow directors and staff for their dedication and contribution during the last year.

By Order of the Board

Lee Woo Sau Yin, Gloria

Chairperson

Hong Kong, 28 June 2002