I have pleasure in presenting to the shareholders the annual report of Shenyin Wanguo (H.K.) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2002.

RESULTS

In the year 2002, the economic conditions in Hong Kong remained discouraging which further weakened the equity market sentiments. For the year ended 31 December 2002, the Group recorded a net profit attributable to shareholders of approximately HK$11 million, representing a decrease of 41% over 2001. The turnover fell by 33% to approximately HK$247 million (2001: HK$369 million). The basic earnings per share dropped by 41% to HK2.05 cents as compared to HK3.47 cents a year earlier.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK1 cent per share in respect of 2002, to shareholders whose names appear on the register of members of the Company on 16 May 2003. The proposed dividend will be paid on or about 23 May 2003 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

REVIEW OF MARKET IN 2002

Market performance was generally disappointing for the year under review. Investment spending remains weak and Hong Kong continues to suffer from deflation. Over the 12 months to December 2002, the Composite CPI fell by 3.6%. Falling prices discourage borrowing by making credit more expensive in real terms, and this has contributed to the sluggishness of the economy. In addition, due to successive budget deficits, the Government recently announced a more aggressive set of revenue raising measures to stem this tide. The Government has stated that it would endeavour to achieve a balanced budget by 2006/07. However, investors still have doubts as to the Government's ability to do so amid a fragile economic outlook.

With a difficult political environment, negative economic growth and unfavourable investment sentiments prevailing in the global markets, the local securities industry was lackluster against the backdrop of a weak macroeconomic picture. The average daily turnover in Hong Kong equity market for 2002 was HK$6.47 billion, compared with HK$8.03 billion for 2001. Hang Seng Index closed at 9,321 points at the end of 2002 (2001: 11,397 points).

REVIEW OF MARKET IN 2002 (CONTINUED)

In 2002, China's B share markets gave up some of their gains in 2001. Shanghai's and Shenzhen's B share indices ended the year down 21.9% and 35.2% respectively. Average daily turnover of B shares on both Shanghai and Shenzhen stock exchanges declined to RMB217.8 million and RMB139.4 million respectively as compared to RMB1,210.6 million and RMB953.3 million in 2001. On the other hand, the domestic A share markets were under a consolidation during the year. The proposed reduction of state-owned shares dampened sentiment but the better-than-expected economic growth and the aggressive regulatory reform continued to help maintaining liquidity. Shanghai's and Shenzhen's A share indices ended the year down 17.1% and 7.3% respectively.

FUTURE PLAN & PROSPECTS

We believe the year ahead is replete with challenges, not least because of the war in the Middle East, fear of terrorist activities worldwide, and uncertainties over the economic performance in the United States, Europe and Japan. The uncertain external environment, coupled with the likelihood of continued high unemployment, deflation, and weak property prices domestically suggest that activity on the Hong Kong securities market would, at least in the first half of 2003, remain subdued.

On a brighter side, with World Trade Organisation ("WTO") accession, China has made concessions on foreign investment in the mainland's securities market, leading to increased pressure on both public and private enterprises to upgrade themselves in the face of market liberalization. Thus, it can be anticipated that more and more Chinese private enterprises will contemplate raising capital in the securities market. With unmatched ties to Mainland China and with its well developed regulatory, banking and legal systems, Hong Kong is poised to benefit from providing services to China, which is believed to be the locomotive that will drive the local economy in the years to come. We are confident that Hong Kong will retain its status as an important financial centre for China and a vibrant international hub for foreign investors intending to establish a presence in China.

FUTURE PLAN & PROSPECTS (CONTINUED)

With regard to the stockbroking business, we see that the proposed Qualified Foreign Institutional Investors Scheme (the "QFII Scheme"), described as a "milestone" move by many financiers, as an initiative to open up and promote participation in Mainland China's US$500 billion A-share market. This will result in increased influx of funds, accelerated development of the service sector, stock price adjustment and internationalization through the A-shares eventually joining the Morgan Stanley Capital International indices. The QFII Scheme will become an increasingly vital platform for China's economic reforms to attract foreign investments, and will be an exceptionally favourable opportunity for us to enhance our position in a subdued environment. Recognising that quality services are of paramount importance to maintain our leading status in the market, we shall continue to provide continuing professional training to our staff, in particular, the mainland stock market updates. We are well prepared for successive reforms in China which should offer good business opportunities in either Mainland China and Hong Kong markets.

Equally important, we shall take steps to enhance our presence in the primary market in the wake of China's accession into the WTO and the remarkable economic growth of the mainland. Shenyin Wanguo Capital (H.K.) Limited and the Investment Banking Division of Shenyin & Wanguo Securities Co., Ltd. will continue to work closely to tap business opportunities with renowned corporations in relation to financial advisory and fund raising services. We shall continue to expand our professional sales force to increase our immunity to the adverse effect brought by intense competition and the abolition of the minimum brokerage requirement in April 2003. Apart from increasing income, we will also continue to implement a stringent review of costs to sharpen our competitive edge to cope with the ever-intensifying market conditions.

We would like to take this opportunity to thank all our staff for their dedication and hard work in weathering the hard times, and finally our shareholders and clients for their trust and support over the past year.

Jiang Guofang
Chairman

Hong Kong
11 April 2003