

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. Details of the principal activities of the principal subsidiaries and the jointly-controlled entities are set out in notes 18 and 19, respectively, to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 78.

The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year, to shareholders on the register of members on 16 May 2003. This recommendation has been incorporated in the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements is set out below.

	Year ended 31 December				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
RESULTS					
TURNOVER	247,418	368,685	509,204	188,454	410,615
Other revenue and gains	19,757	1,051	54,402	2,415	7,642
Write-back of prior years' accrued interest expenses on settlement of other loans and convertible note	12,000	51,796	-	-	-
Gain on cancellation of convertible note	92,000	-	-	-	-
Cost of trading securities sold	(143,273)	(246,217)	(370,595)	(57,363)	(217,662)
Staff costs	(51,126)	(49,984)	(52,077)	(35,659)	(45,413)
Provision for bad and doubtful debts	(119,400)	(1,500)	(1,500)	-	(215,451)
Interest expenses for financial services operations	(9,939)	(19,462)	(72,655)	(37,723)	(53,021)
Impairment provisions on long term investments	(6,286)	(56,402)	-	-	-
Depreciation and amortisation expenses	(11,966)	(12,018)	(8,468)	(4,786)	(4,552)
Other operating expenses, net	(40,483)	(31,014)	(47,325)	(35,631)	(30,409)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(11,298)	4,935	10,986	19,707	(148,251)
Finance costs	(59)	(923)	(4,919)	(7,934)	(505)
Share of profits/(losses) of:					
Jointly-controlled entities	26,651	17,124	19,304	13,844	-
An associate	(24)	24	-	-	-
PROFIT/(LOSS) BEFORE TAX	15,270	21,160	25,371	25,617	(148,756)
Tax	(4,602)	(3,116)	(32)	434	888
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	10,668	18,044	25,339	26,051	(147,868)
Minority interests	-	-	172	(1,410)	851
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10,668	18,044	25,511	24,641	(147,017)

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FIVE YEAR FINANCIAL SUMMARY (CONTINUED)

	As at 31 December				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	1,241,093	1,478,230	1,454,636	1,572,132	1,321,197
Total liabilities	(586,756)	(834,863)	(829,553)	(970,900)	(748,319)
Minority interests	-	-	-	(2,515)	-
	<u>654,337</u>	<u>643,367</u>	<u>625,083</u>	<u>598,717</u>	<u>572,878</u>

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 33 and 34 to the financial statements, respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinances amounted to HK\$8,453,543, of which HK\$5,307,591 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$314,739,683, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Jiang Guofang *(Chairman)*
Lee Man Chun Tony *(Chief Executive Officer)*
Ying Niankang
Guo Chun

Non-executive Directors

Lu Wenqing
Chang Pen Tsao
Xu Zhigang
Qu Zi Hai

Independent Non-executive Directors

Ng Wing Hang Patrick
Kwok Lam Kwong Larry

Subsequent to the balance sheet date, on 8 March 2003, Mr Xu Zhigang resigned as a Non-executive Director, and Mr Qu Zi Hai was appointed as a Non-executive Director on 9 April 2003.

In accordance with Article 95 of the Company's Articles of Association, Mr Qu Zi Hai will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with Article 104(A) of the Company's Articles of Association, Messrs Ying Niankang and Kwok Lam Kwong Larry will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP

Executive Directors

Jiang Guofang, aged 45, has been the Chairman of the Board of the Company since 1996. He holds a Master's Degree in Business Administration from The Asia (Macau) International Open University. Prior to joining the Group in 1996, he worked for the People's Bank of China, Shanghai Branch and the Industrial & Commercial Bank of China, Shanghai Branch for more than 12 years. He took the position of Executive Vice-President of the former Shanghai Shenyin Securities Co., Ltd. in 1992 and that of Shenyin & Wanguo Securities Co., Ltd. after the merger of Shanghai Shenyin Securities Co., Ltd. and Shanghai International Securities Co., Ltd. in 1996.

Lee Man Chun Tony, aged 49, was appointed as a Director and Chief Executive Officer of the Company in July 2000. He is a Fellow of the Association of Chartered Certified Accountants and an Associate of the Hong Kong Society of Accountants. He has more than 20 years' experience in accounting, finance and banking. He held senior positions with Standard Chartered Bank and Sanwa International Finance Ltd. before he joined the Group in 1995.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP (CONTINUED)

Executive Directors (continued)

Ying Niankang, aged 51, was appointed as an Executive Director of the Company in August 1997. He was a Deputy General Manager of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. and has more than 10 years' experience in corporate finance. He was the Chief of Division of Technology & Economics, Department of Project Management, College of Civil Engineering, in Shanghai between 1983 and 1991. He holds a Master's Degree and a Bachelor's Degree from the Department of Industrial Economics at Shanghai University of Finance and Economics.

Guo Chun, aged 38, was appointed as an Executive Director of the Company in May 2000. He began his career with the Industrial & Commercial Bank of China, Shanghai Branch in 1983. Other than the banking business, he has been working in the securities industry of the People's Republic of China ("PRC") since 1987. In 1990, he joined the former Shanghai Shenyin Securities Co., Ltd. He has had more than 10 years' extensive experience in stockbroking and investment banking in the PRC and served as a regional superintendent in Shanghai. He was appointed as the Deputy Managing Director of Shenyin Wanguo (H.K.) Holdings Limited on secondment to Hong Kong in early 1997 after the merger of Shanghai Shenyin Securities Co., Ltd. and Shanghai International Securities Co., Ltd. He holds a Master's Degree in Business Administration from Murdoch University, Perth, Australia.

Non-executive Directors

Lu Wenqing, aged 44, is a Non-executive Director of the Company and the Managing Director of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. He graduated from Shanghai University of Finance and Economics. He also holds a Master's Degree in Business Administration from The Asia (Macau) International Open University. Prior to joining the former Shanghai Shenyin Securities Co., Ltd., he served as a senior officer in Shanghai Trust & Investment Corporation of Industrial & Commercial Bank of China and as an attaché of the Chinese Embassy in Gabon.

Chang Pen Tsao, aged 64, is a Non-executive Director of the Company. He is the Founder and Chairman of Taiwan International Securities Group, Global Securities Finance Corp., The Business Development Foundation of The Chinese Straits, Unitech Electronics Corp., and Ideal Bike Corp. He served as a Senator in Taiwan for 9 years and was the Chairman of Kwang Hua Securities Investment & Trust Co., Ltd. He has more than 20 years' experience in legal practice as a lawyer, prosecutor and district judge, as well as in business management, and has more than 10 years' experience in securities investment. He received his L.L.B. Degree from Chung Hsin University, Taiwan in 1967.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP (CONTINUED)

Non-executive Directors (continued)

Qu Zi Hai, aged 35, is a director of Shanghai Industrial Financial (Holdings) Co., Ltd. and Deputy Managing Director of SIIC Finance Co., Ltd. He is also a director of Shanghai S.I. Capital Co., Ltd., SIIC Asset Management Co., Ltd. and Shanghai E&P International, Inc., Managing Director of S.S.V.C. Management Co., Ltd., as well as a director of TX Investment Consulting Co., Ltd. Since joining Shanghai Industrial Investment (Holdings) Co., Ltd. in 1998, Mr. Qu has involved in investment banking and venture investment businesses. He has accumulated extensive operational experience and has directly engaged in projects involving an aggregate of RMB4 billion. He holds a Master's Degree in Science from Fudan University.

Ng Wing Hang Patrick, aged 50, is an Independent Non-executive Director of the Company. He is a practising Certified Public Accountant in Hong Kong and is the sole proprietor of his certified public accountants firm, Messrs Patrick Ng & Company. He also serves on the boards of several listed companies in Hong Kong.

Kwok Lam Kwong Larry, aged 47, is an Independent Non-executive Director of the Company. He is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Singapore. He is also qualified as an accountant in Hong Kong and Australia. He graduated from the University of Sydney, Australia with Bachelor's Degrees in Economics and Law respectively as well as a Master's Degree in Law. He is currently the Vice-Chairman of the Consumer Council, a member of the Hospital Governing Committee of Princess Margaret Hospital, the Criminal & Law Enforcement Injuries Compensation Boards and the Trade and Industry Advisory Board in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi in the PRC.

Senior management

Chung Chin Hung Paul, aged 48, joined the Group in 1995. He is the Managing Director of Shenyin Wanguo Securities (H.K.) Limited. He has many years of experience in the securities industry and has served in various senior positions at County Natwest Securities Hong Kong Ltd., PBI Securities Hong Kong Ltd., and Magnum International Securities Ltd. He holds a Master's Degree in Business Administration from the University of Santa Barbara, the United States of America.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP (CONTINUED)

Senior management (continued)

Ho Kwong Chak, aged 48, is the Managing Director - Branch Operations of Shenyin Wanguo Securities (H.K.) Limited. He has been working in the securities industry for over 25 years. Prior to joining the Group in 1999, he served in senior positions at various renowned local brokerage houses.

Lee Siu Ming Simon, aged 41, is the Head of Corporate Finance of Shenyin Wanguo Capital (H.K.) Limited. He is a member of The Law Society of Hong Kong and is qualified as a solicitor in Hong Kong and in England and Wales. He practised in the London and Hong Kong offices of Slaughter and May before he became the Deputy Secretary of the Takeovers and Mergers Panel of the Securities and Futures Commission. Prior to joining the Group in 1996, he held a senior position with Standard Chartered Bank in Hong Kong. He holds a Bachelor of Science Degree from the University of Hong Kong and a Bachelor of Law Degree from the University College of the University of London in the United Kingdom.

Wong Che Keung Leslie, aged 38, is the Finance Director of the Group. Mr Wong once served as the Head of Compliance and subsequently, a Director of Shenyin Wanguo Securities (H.K.) Limited before succeeding to the current position in 2001. Prior to joining the Group in 1996, he worked in the Securities and Futures Commission for 7 years and in the stockbroking and treasury field for a further 2 years. He is a Fellow of the Association of Chartered Certified Accountants. He obtained his Bachelor's Degree in Economics from the University of Hong Kong and a Master's Degree in Business Administration at the Chinese University of Hong Kong.

Philip Chan, aged 40, joined the Group in 1994. He is a Director of Shenyin Wanguo Research (H.K.) Limited and has been based in Hong Kong for 14 years, working first with Mansion House Group Ltd. and later with PBI Securities Hong Kong Ltd. (formerly part of the Dutch ABN-AMRO Group), as an analyst. Prior to working in Hong Kong, he worked in the United Kingdom for 3 years for 2 stockbroking firms as an analyst. He was born in the United Kingdom and obtained his Bachelor's Degree at University College, Cardiff in Wales.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP (CONTINUED)

Senior management (continued)

Yip Sin Ho Victor, aged 38, is the Legal and Compliance Officer and Company Secretary of the Company. Prior to joining the Group in 2000, he worked as a solicitor in a reputable law firm in Hong Kong. He has Bachelor's Degrees in Economics and in Law. He further obtained his Master's Degree in Law at the University of Hong Kong.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2002, Mr Lee Man Chun Tony had a personal interest in 1,300,000 shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

The interests of the directors in the share options of the Company are separately disclosed in note 34 to the financial statements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance, as at 31 December 2002.

SHARE OPTION SCHEME

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, detailed disclosures relating to the Company's share option scheme have been moved to note 34 to the financial statements.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' interests in shares" above and in the share option scheme disclosures in note 34 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their

respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held		Percentage of the Company's issued capital
	Direct	Indirect	
Shenyin Wanguo Holdings (B.V.I.) Limited	268,334,875	-	50.56
Venture-Some Investments Limited	-	268,334,875*	50.56
Shenyin Wanguo (H.K.) Holdings Limited	-	268,334,875*	50.56
Shenyin & Wanguo Securities Co., Ltd.	<u>2,045,000</u>	<u>268,334,875*</u>	50.94

* These companies were deemed to have interests in 268,334,875 shares of the Company by virtue of their equity interests in Shenyin Wanguo Holdings (B.V.I.) Limited.

Save as disclosed above, no person had registered an interest in 10% or more of the issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 39 to the financial statements.

PRACTICE NOTE 19 OF THE LISTING RULES

The disclosures required by Practice Note 19 of the Listing Rules are set out in note 22 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2002, except that the Company's independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors and one non-executive director of the Company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Jiang Guofang

Chairman

Hong Kong
11 April 2003