

Chairman's Statement

On behalf of the board of directors (the "Board"), I present the annual results of REXCAPITAL Financial Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31 December 2002.

BUSINESS REVIEW

Without question, 2002 was a universally challenging year for the financial markets. The Board does not view the financial results as pleasing but understands that this was largely due to the prolonged severe draught and keen competition in the securities market. The decrease in turnover was mainly attributed to the drop in commission income from the Group's stockbroking business which was dampened by the shrinkage in the total trading volume on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Under such difficult market condition, the Group has adopted a cautious approach in granting margin loans to its clients. This, coupled with the fall in interest rates in Hong Kong, has resulted in a decrease in interest income earned by the Group.

The Group has taken active measures to reduce its operating costs and improve its operating efficiencies to pave its way for a sustainable business growth when the economic situation improves.

PROSPECTS

Despite the difficult business environment, we maintain the view that Hong Kong will remain an important financial hub in the region. Hong Kong still possesses unparalleled advantages in its geographical location, legal framework and all supporting infrastructure. The free flow of capital and human resources through the territory and the rest of the world will not be matched by any Mainland cities in the foreseeable future. This can be evidenced by the fact that in 2002 there were 60 and 57 newly listed companies on the Main Board and GEM markets respectively, with total funds raised amounting to HK\$52 billion. Therefore, in our view, the capital market in Hong Kong will continue to be active and thus the potential of this business will be huge.

APPRECIATION

We appreciate the keen support from our shareholders for sharing our vision, and the dedicate efforts from our directors and employees to keep our Group abreast of the ever changing market places.

To Shu Fai
Chairman

Hong Kong, 24 April 2003