

## 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 2003.

The Group experienced a revolutionary change during the year, with its entire equity interests in the Brokerage Business Companies composed of Kim Eng Securities (Hong Kong) Limited, Kim Eng Futures (Hong Kong) Limited and Kim Eng Nominees (Hong Kong) Limited, fully disposed of to a fellow subsidiary on 22 May 2002 ("the Disposal"). Pursuant to the Disposal, the Group would no longer participate in the disposed brokerage businesses. This, combined with the continuation of austere global and domestic conditions and low interest rates, caused a 69.4% decline in Group's turnover to HK\$27.4 million (2002: HK\$89.5 million). With a profit of HK\$187.4 million realised from the Disposal, the Group's profit attributable to shareholders rose to HK\$199.8 million for the year (2002: HK\$35.7 million) despite the plunge in turnover.

As a way to directly reward the then shareholders with the gain on Disposal, the Directors declared a special interim dividend of HK\$2.5 per share on 10 September 2002, totaling HK\$180 million which was paid in cash on 4 October 2002.

The Directors recommend a final dividend of HK 2 cents per share for the year ended 31 March 2003 to shareholders whose names appear on the Register of Members at the close of business on 7 July 2003.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 July 2003 to Monday, 7 July 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 3 July 2003.

### OPERATION REVIEW

#### Revenue

The Group completed the disposal of its entire equity interest in the Brokerage Business Companies to a fellow subsidiary on 22 May 2002. Background to, and reasons for, the Disposal were disclosed in the circular of the Company to shareholders dated 28 March 2002. Pursuant to the disposal agreement, the Group would no longer participate in the disposed businesses, comprising securities and futures broking, share margin financing, financing on initial public offerings, underwriting and placement of securities, research, custody and nominee services after the disposal. The Group would only carry on its businesses in corporate finance and financial advisory services after the Disposal.

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On account of the Disposal, the operating performance of the Group was badly hit by the discontinuation of the brokerage businesses, revenue from securities and futures broking and custody and nominee services plummeted over the previous year. Group interest income also fell on the repeated interest rate cuts in U.S. and HK as well as lack of margin financing activities.

Leveraging on the enlarged corporate finance team and their core-competencies, revenue from corporate finance and financial advisory activities, defying the subdued capital market, saw a slight growth over the year, to HK\$12.0 million (2002: HK\$11.1 million). Combined with the HK\$0.6 million fee and commission income from placing, underwriting and sub-underwriting, total earnings from corporate finance operations for the year were HK\$12.6 million. During the year, the corporate finance team was mandated to engage in 8 IPOs, of which 4 were completed, and 12 other financial advisory projects including 4 transactions relating to the Takeovers Code.

Despite the state of local economy and effect of the U.S. military attack on Iraq, the Group reported HK\$6.8 million net income from securities investment and trading, of which HK\$1.6 million was dividend income. In addition, the Group also reported a profit of HK\$187.4 million from the Disposal in the year under review. Given its exceptional nature, the gain has been excluded from the Group turnover as reported in the income statement. Instead, it is reported separately on the face of the income statement.

### Costs

In line with the decline in Group's turnover, costs shrank, with staff costs and other operating expenses falling 49% and 80%, respectively over the year, largely owing to the disposal of the Brokerage Business Companies.

### Liquidity and Financial Conditions

The Group had cash reserves of HK\$163 million as at 31 March 2003. Most of 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 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\$163 million and HK\$334.6 million at the close of 31 March 2003 and 31 March 2002, respectively. As such, a gearing ratio, as required under paragraph 32 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), at these two dates did not exist.

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## PROSPECTS

After completion of the Disposal, the Group will only continue to carry on its fee-based corporate finance and corporate advisory activities and its investment and trading in securities. In the absence of an alternative business plan, at present, the business outlook of the Group will heavily rely on the prospect of our corporate finance and corporate advisory activities, which in turn are dependent on the domestic and global economic conditions and market sentiment.

Globally, we see no sign of the U.S. or other major economies reviving in near future despite of the resounding victory of U.S. in Iraq's war recently. The outbreak of SARS has further battered the already sluggish local economy, forcing the government to cut the growth forecast and implement economy stimuli measures. Local domestic economy is likely to be in for another year of recession, with unemployment, deflation and the budget-deficit worsening, which will threaten capital market and investor sentiment in the coming year. Thus, the Group's operating performance is likely to remain depressed.

Whilst we are bearish of the business environment in the coming year, we are however confident of the prospects for our relative position in the local capital market. The Group will keep enlarging its corporate finance operation, leveraging on the established distribution network of our affiliated brokerage companies, to explore and grasp more opportunities to ensure survival.

## POSSIBLE CHANGE IN THE CONTROLLING SHAREHOLDER OF THE COMPANY

As stated in the announcement dated 25 February 2003, Kim Eng Ong Asia Holdings Ltd ("Kim Eng Singapore"), the ultimate controlling shareholder of the Company, notified the Board that they reached an exclusive non-binding memorandum of understanding ("MOU") with an independent potential investor in relation to the possible disposal of its entire directly and indirectly owned shares in the Company. As a formal sale and purchase agreement could not be entered into by the stipulated date, the MOU lapsed on 18 March 2003. However, Kim Eng Singapore proclaimed that they would consider disposing their entire shareholdings in the Company in future if a suitable offer is received from other potential investors.

## EMPLOYMENT AND REMUNERATION POLICY

The Group employed 9 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.

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## 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, 23 May 2003