

Chairman's Statement

I am pleased to report the activities of South China Brokerage Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2003.

BUSINESS REVIEW

The Group went through a difficult period, following the outbreak of SARS in the first half of 2003, suffering from the impact of SARS on the economy. The second half of 2003 saw a dramatic reverse in the market conditions with a V-shaped rebound in the Hong Kong economy.

Such significant improvement of market sentiment especially in the final quarter of 2003, and the upsurge in turnover of the stocks and future market, led to a substantial increase in commission income from securities and commodities broking, and trading in equities became overall profitable for the year ended 31 December 2003.

The Group has continued to exert strict control over direct and indirect cost by reduction of personnel costs and consolidation of branch offices.

Overall, the Group's turnover increased approximately 15% to HK\$117.7 million and our results took a turn from loss in 2002 to a profit of HK\$33.4 million for the full year of 2003.

OUTLOOK

In the recent months the US economy has remained strong and the European Union economy should be able to maintain its pace this year. Looking ahead, the external economic environment continues to be generally sanguine. The recent political events in Taiwan and outbreak of avian influenza in a number of places in East Asia has undoubtedly cast a shadow over the regional economic situation, but the impact should be temporary. Sustained rapid economic growth in the Mainland and the continued opening-up of its market will create abundant business opportunities for Hong Kong. With the further extension of the Individual Visit Scheme for Mainland visitors and a progressive rebound in international visitor arrivals, inbound tourism looks set for more growth this year. A high level of bank liquidity, low interest rates, the improved employment situation in early 2004 and rebound in asset prices all act to raise demand and significantly improve both consumer and investor sentiment. The implications for the securities industry are remarkably encouraging and should boost activity in both the primary and secondary markets.

However, there are certain caveats that require our attention, including movements in US interest rates and the US dollar exchange rate, developments in the US economy following this year's presidential election, the ongoing situation of the European Union economy, and geopolitical risks. Changes in these factors will have implications on the global economic climate and the outlook of the local economy.

The Group will continue to apply effective control on our operations and capitalize the benefit from the positive economic turnaround.

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APPRECIATION

On behalf of the Board, I wish to express my gratitude to our shareholders and clients for their support and all our staff for their hard work and dedicated service.

Ng Hung Sang, Robert

Chairman

Hong Kong Special Administrative Region of the People's Republic of China

13 April 2004