



SOUTH CHINA BROKERAGE COMPANY LIMITED

(Incorporated in Hong Kong Special Administrative Region of the People's Republic of China with limited liability)

(Stock code: 619)

(Warrant code: 442)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

GROUP RESULTS

The directors (the "Directors") of South China Brokerage Company Limited (the "Company") announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004 are as follows:-

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover		131,953	117,715
Other revenue		5,394	5,211
Surplus on revaluation of investment property		41,000	6,000
Gain on disposal of long term investments		181	4,138
Reversal of impairment of long term investments		3,220	1,832
Increase in fair value of short term investments		10,377	33,269
Provisions for bad and doubtful debts		(7,428)	(14,484)
Other operating expenses	2	(110,600)	(122,482)
Profit from operating activities	3	74,097	31,199
Finance costs	5	(1,142)	(1,395)
Profit before tax		72,955	29,804
Tax	6	(4,352)	3,659
Profit before minority interests		68,603	33,463
Minority interests		(27)	(34)
Net profit from operating activities attributable to shareholders		68,576	33,429
Dividends		9,724	9,724
Proposed final			
Earnings per share	7	1.41 HK cent	0.69 HK cent
Basic			
Diluted		N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Principal accounting policies and basis of preparation

The accounting policies and basis of preparation adopted in these financial statements are consistent with those adopted in the Group's audited 2003 annual financial statements except for the early adoption of Hong Kong Accounting Standard 40 "Investment Property" ("HKAS 40"). The impact of the early adoption of HKAS 40 on the consolidated financial statements is that a gain or loss arising from a change in the fair value of the Group's investment property is recognised in the profit and loss account for the period in which it arises, whereas previously a gain arising from the change in fair value of investment properties was dealt with as a movement in the investment property revaluation reserve, unless the total of this reserve is insufficient to cover a deficit, on a portfolio basis, and the excess of the deficit was charged to the profit and loss account. The early adoption of this HKAS has had no significant impact on the prior year's financial statements.

2. Other operating expenses

The amount includes staff costs, brokerage expenses, money lending and margin finance funding costs and general expenses.

3. Revenue and segmental information

An analysis of the Group's consolidated revenue and contribution to profit/(loss) from operating activities by business segments for the years ended 31 December 2004 and 2003 is as follows:

	2004	2003	2004	2003
	Revenue HK\$'000	Revenue HK\$'000	Contribution to profit/(loss) from operating activities HK\$'000	Contribution to profit/(loss) from operating activities HK\$'000
Broking	73,960	62,390	6,202	(11,900)
Securities trading and investment	18,558	730	28,422	37,893
Margin financing and money lending	38,993	47,499	6,903	14,035
Corporate advisory and underwriting	8,325	14,590	(1,632)	(9,803)
Property investment	3,696	2,199	41,771	7,129
Corporate and other	1,560	2,194	(7,569)	(6,155)
Eliminations of intersegment sales	(7,745)	(6,676)	-	-
Consolidated	137,347	122,926	74,097	31,199

Over 90% of the Group's revenue and contribution to profit/(loss) from operating activities were derived from operations in Hong Kong.

4. Depreciation and amortisation

Profit from operations for the year is arrived at after charging depreciation and amortisation of approximately HK\$4,310,000 (2003: HK\$6,904,000) in respect of the Group's fixed assets and intangible assets.

5. Finance Costs

Finance costs represent interest on a mortgage loan and finance lease secured by the Group's investment property and fixed assets respectively.

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

	2004 HK\$'000	2003 HK\$'000
Current - Hong Kong		
Charge for the year	(3,000)	(187)
Overprovision in prior years	-	17
Current - elsewhere	(152)	(163)
Deferred tax	(1,200)	3,992
Total	(4,352)	3,659

7. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of HK\$68,576,000 (2003: HK\$33,429,000) and 4,861,990,940 (2003: 4,861,990,940) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2003 and 2004 have not been disclosed as no diluting events existed during these years.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Hong Kong economy has exhibited a solid, broad-based upturn throughout 2004. Consumer spending and property values have posted strong growth amid stronger consumer sentiment and improving employment prospects. Meanwhile, there has been a major turnaround of asset prices in Hong Kong under the influence of strong capital fund inflow and the improving economy.

Benefited from the recovery of Hong Kong economy and securities industry, the Group's broking business recorded significant growth. Gains on equity trading and surplus on revaluation of investment property also contributed to the encouraging result. The Group's turnover increased approximately 12% to HK\$132 million in 2004 and the profit for the year of 2004 increased approximately 105% to HK\$69 million.

Securities broking, trading and investment

The Hong Kong securities market recorded an all-time high market capitalization in 2004. Market turnover increased substantially as compared with 2003. The average stock market daily turnover leaped from HK\$10.3 billion in 2003 to HK\$15.9 billion in 2004. Our income from securities and futures broking increased by 19% to HK\$74 million for the year of 2004 as compared with 2003. The result from the broking operation took a turn from loss in 2003 to a profit of HK\$6 million in 2004.

The Group has launched the trading of Hang Seng Index futures contracts on the existing online trading platform in August 2004. Both trading volume and the number of clients for online securities trading continued to grow. Growth in income from online securities trading together with the reopening of a local branch in Kwun Tong in March 2004 further contributed to the improvement of the overall performance.

Previous impairments in the value of both trading and non-trading securities recorded write-backs of HK\$10.4 million and HK\$3.2 million respectively on revaluation to the closing prices at the end of the last year. The Group had trading securities of HK\$66.7 million and non-trading securities of HK\$14 million in value as at 31 December 2004.

Margin financing and money lending

Our loan and advances portfolio for margin financing and personal loans dropped by 7% to HK\$179.8 million. The overall income from our loan portfolio for margin financing and personal loans declined by 18% to HK\$39 million. Provisions for bad and doubtful debts decreased by approximately 49% from HK\$14.5 million in 2003 to HK\$7.4 million for the year of 2004. We will continue to exercise tight credit monitoring measures to control the quality of our loan portfolio.

Corporate advisory and underwriting

Due to intense competition in obtaining corporate advisory business, revenue from this segment in 2004 declined by 43% to HK\$8.3 million as compared with the year of 2003 and resulted in a loss of HK\$1.6 million. It was a substantial positive change in comparison to its loss of HK\$9.8 million in 2003. However, we will continue our effort in getting more PRC-related IPO business and corporate advisory assignments, since Hong Kong is the key offshore capital-raising center for Chinese enterprises.

Property investment and others

Rental income from the investment property at Lippo Centre increased by 68% to HK\$3.7 million in 2004, on a year-on-year basis, as the rentable area was fully leased out by September 2003. With the turnaround of asset prices in Hong Kong, we recorded a further surplus on revaluation of the property of HK\$41 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has obtained facilities which are renewable on a yearly basis from a number of banks. The facilities for the share margin finance operations are secured by the securities of margin clients and the Group. The facilities for the money lending operations are clean loans. All the facilities are guaranteed by the Company.

As at 31 December 2004, the Group's total bank borrowings apart from those for share margin finance business and personal loan business amounted to HK\$29 million (2003: HK\$21 million), which, when related to the Group's shareholders' fund, are equivalent to a gearing ratio of approximately 9.4% (2003: 8.6%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2004, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

CAPITAL STRUCTURE

The Group had no debt securities or capital instruments as at 31 December 2004.

Up to the date of this announcement, the Company placed 970,000,000 warrants (the "Warrants") to independent investors at a price of HK\$0.026 each on 22 February 2005. The net proceeds under the warrant placing amounted to approximately HK\$25,000,000 and will be used for the purpose of general working capital of the Company.

The Warrants entitle the holders to subscribe in cash for fully paid ordinary shares of HK\$0.025 each in the Company at a subscription price of HK\$0.1012 per share (subject to adjustment) and are exercisable on or before 2 March 2006. Upon full exercise of the subscription rights attached to the Warrants, 970,000,000 shares will be issued for a cash consideration of HK\$98,164,000, which represents approximately 16.63% of the issued share capital as enlarged by the allotment and issue of the shares.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group had no material acquisitions and disposals of subsidiaries and associates for the year ended 31 December 2004.

CHARGES ON ASSETS

As at 31 December 2004, the Group's leasehold land and building was mortgaged to a bank for installment and revolving loan facilities and the Group had pledged time deposit of HK\$5,500,000 to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

At the balance sheet date, the Group's contingent liabilities not provided for in the financial statements are as follows:

	GROUP	
	2004 HK\$'000	2003 HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	-	-
Guarantees given to banks in connection with letters of guarantee issued by the banks	-	5,500
	-	5,500

PROSPECTS

While consumer demand and investor sentiment improved significantly across many regions, the Mainland economy sustained outstanding and steady growth. In view of Hong Kong's unique close tie with the Mainland, the Group has positioned itself to take advantage of this situation in maximizing business development opportunities there. Strengthening the Group's operations to capture potential business in the Mainland is of prime importance. To achieve this end, resources for developing the Mainland network were stepped up. In addition to the Beijing office, the Shanghai office was set up in February 2005 and the Guangzhou office will be in operation soon. More manpower and expertise for these offices were also poured in to cope with the ever-growing demands of the corporate finance business. Undoubtedly, Greater China is rich in business opportunities. Therefore, the Group will keep its eyes open for extending business coverage at any location in this region where possible.

The Group operates many business platforms with the aim of providing all round services to attract and meet the needs of discerning investors. The recent creation of the Business Development Unit is a strategic move to enhance the utilization of these platforms.

The online trading platform enabled us to expand our customer base especially outside the territory and there is significant cost efficient and effective justification for more extensive use of the online trading platform. The Group launched the trading of Hang Seng Index futures contracts in the existing online trading platform in August 2004. The performance of this new service was well accepted and we are positive about its future growth rate. With this successful experience, a wide array of global commodity futures contracts, introduced by the Business Development Unit, will soon go onto the online trading platform. The Group will continue to fortify and diversify our product base and cross-sell via the different business platforms to generate more income. Therefore, it is expected that with the establishment of a China Business Development marketing team, capital market cross-selling opportunities, introduction of structural products to Mainland corporate customers and other business benefits can be achieved.

On the local retail brokerage front, the Group will keep identifying appropriate locations for expanding its branch network. The Group will also continue its effort in recruiting high calibre account executives to further expand our traditional securities broking business platform.

Bankruptcy figures have shown significant improvement from a year ago. For our money lending business, we will ride on the business opportunities with the improved economic conditions while continuing to exercise tight credit control to ensure the quality of our loan portfolio concurrently and closely monitor the delinquency ratio so as to maintain the profit margin and further reduce bad debts.

EMPLOYEES

As at 31 December 2004, the total number of employees of the Group was approximately 198 (31 December 2003: approximately 196). Employees' cost (including directors' emoluments) amounted to approximately HK\$41 million for the year (2003: HK\$47 million).

The Group considers its employees as its most valuable asset. Apart from salary payment, other staff benefits include medical subsidies, life insurance, provident fund and subsidized external training. Continuous Professional Training will continue to be arranged for those staff registered with the Securities and Futures Commission. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. The Company adopted an employee share option scheme on 18 June 2002.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

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

INVESTMENTS

For the year ended 31 December 2004, the Group's portfolio of Hong Kong listed securities increased due to rise of market prices lead to increase in value on the balance of investment portfolio and realisation of certain investment portfolio during the year resulted in profits sustained.

As at 31 December 2004, the Group did not have any significant investment plans or significant investment held.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of 0.20 HK cent (2003: 0.20 HK cent) per share, which amounted to approximately HK\$9,724,000 (2003: HK\$9,724,000) in respect of the year ended 31 December 2004 to the shareholders whose names appear on the Register of Members of the Company on 25 May 2005. No interim dividend was paid during the year ended 31 December 2004.

Subject to the approval by shareholders at the forthcoming Annual General Meeting, it is intended that dividend warrants will be dispatched to shareholders on or before 9 June 2005.

CLOSURE OF REGISTER FOR ENTITLEMENT TO FINAL DIVIDEND

The Register of Members of the Company will be closed from 24 May 2005 to 25 May 2005, both days inclusive, during which period no share transfers will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates of the Company, must be lodged for registration with the Company's Share Registrar, Union Registrars Limited of 311-312 Two Exchange Square, Central, Hong Kong not later than 4:00 p.m. on 23 May 2005.

AUDIT COMMITTEE

The audit committee has reviewed with the management the financial reporting matters, including the audited financial statements, relating to the preparation of the financial statements for the year ended 31 December 2004.

The audit committee comprises three members, Hon. Raymond Arthur William Sears, Q.C., Mrs. Tse Wong Siu Yin, Elizabeth and Mr. Tung Woon Cheung, Eric, who are independent non-executive directors of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association.

PUBLICATION OF FURTHER INFORMATION

All information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1 July 2004 under the transitional arrangement, will be published on the website of the Stock Exchange in due course.

As at the date of this announcement, the board of Directors comprises:

Executive Directors:
Mr. Ng Hung Sang, Robert (*Chairman*)
Mr. Richard Howard Gorges (*Vice-Chairman*)
Ms. Cheung Choi Ngor, Christina (*Vice-Chairman*)
Mr. Chan Hing Wah (*Managing Director*)
Mr. Ng Chung Sang
Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors:
Mrs. Tse Wong Siu Yin, Elizabeth
Hon. Raymond Arthur William Sears, Q.C.
Mr. Tung Woon Cheung, Eric

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
10 March 2005