

I am pleased to announce the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2001.

Group turnover for the year ended 31 March 2001 was HK\$134 million, compared to HK\$179 million in 2000. However, on the account of a HK\$39.5 million profit from the sale of shares in Hong Kong Exchanges and Clearing Limited ("HKEx"), operating profit rose by 29% to HK\$117.6 million boosting profit attributable to shareholders from HK\$78.7 million to HK\$105.2 million.

To treasure the loyalty and support of shareholders, we used to reward shareholders with the payment of generous dividends. The Directors recommend a final dividend of HK 17 cents and a cash bonus of HK\$1.10 per share for the year ended 31 March 2001 to shareholders whose names appear on the Register of Members at the close of business on 10 July 2001. With the interim dividend of HK 10 cents per share and the special interim bonus of HK 50 cents per share paid in December 2000, the total distribution of dividend and cash bonus for the year amount to HK\$1.87 per share.

Including the proposed final dividend and cash bonus for the year, the Company has distributed dividends and cash bonuses totaling HK\$5.00 per share to shareholders since it listed on The Stock Exchange of Hong Kong Limited ("SEHK") in January 1998.

BUSINESS REVIEW

Revenue

Securities and futures broking

Overall gross brokerage and commission income from securities and futures broking activities saw a 30.1% decline to HK\$78.1 million for the year as opposed to a marginal increase recorded in the first half. The full-year drop was on account of the uncertainty created by the very rapid deceleration in US economic growth. This caused investors to exhibit a reduced appetite for risk and hence equities. The significance of the Hong Kong market to the Group's brokerage operation grew over the year. In the year under review, 84.1% of the Group's total brokerage income was derived from the local market, 4.5% more than the preceding year.

Interest income

Interest income saw a modest reduction of 2.7% to HK\$33.3 million for the year, despite a 12.8% year-on-year increase in interest income from bank deposits. The decline in the margin lending book together with three consecutive 50 bp interest rate cuts in the first quarter of 2001 in both Hong Kong and US generated the drop in overall interest earnings.

CHAIRPERSON'S STATEMENT

Placements/underwriting/sub-underwriting and corporate finance advisory income

Total earnings from our corporate finance operations were HK\$17.5 million, approximately 40.7% below the preceding year. The reduction was essentially a direct function of market conditions. Notwithstanding this, the income derived from the provision of corporate finance advice increased 39% over the year. During the year, the corporate finance division has completed over fifteen assignments including IPOs, financial advisory for general offers and other financial advisory.

Income from investment and trading of securities

On account of increasing concerns over the outlook for the US economy and the collapse of technology and telecommunication stocks, the market tone deteriorated over the year. Despite the market correction in the year, the Group achieved a satisfactory result from securities investment and trading. Net profit from securities investment and trading, included within the Group's turnover, rose 30.7% year on year to HK\$4.8 million.

The Group's capital employed in investment securities dropped substantially over the year. This was largely due to the Group selling majority of its shares in the HKEx after it successfully listed on SEHK in late June 2000. The Group received a total of 3,808,500 shares in the HKEx in exchange for its three 'A' shares in SEHK and one share in HKFE which were demutualized in March. 3,504,000 shares of the HKEx were sold, in phases, realising HK\$41.5 million in proceeds and HK\$39.5 million in profits.

Given its materiality and its exceptional nature, the gains realised from the disposal of the HKEx shares have been excluded from the Group turnover as reported in the income statement. The profits are incorporated in the separate line item "Other Revenue" in the income statement.

AMS/3 and BSS

SEHK introduced AMS/3, the Third Generation Automatic Order Matching and Execution System, on 23 October 2000. The new system, providing a trading infrastructure to connect investors, exchange participants and the central market through eCommerce facilities, further strengthens the position of Hong Kong as a leading global equity marketplace.

We are supportive to the launch of AMS/3 and believe that the new system will bring benefits and business opportunities to the Hong Kong securities market. To grasp this opportunity, the Group has mandated the purchase of a BSS (Broker Supplied System), consisting of a trading system with a multi-workstation interface combined with an AMS/3, Open Gateway ("OG") and a back-office system. Installation of OG has been completed as scheduled, through which BSS can be connected to SEHK.

BSS connectivity and interface readiness have also been tested. Subject to the completion of mandatory BSS practice sessions and approval of our test results, it is likely that our BSS trading system will come into operation in August this year.

Liquidity and financial conditions

The Group had cash reserves of HK\$424.9 million, which excludes HK\$180.0 million of client funds that were kept in separate designated bank accounts, at 31 March 2001. Most of cash reserves were placed in HK\$ and US\$ short-term deposits with major banks in Hong Kong.

The gearing ratio is measured on the basis of the Group's total interest bearing debts net of its 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\$400.1 million and HK\$419.0 million at the close of 31 March 2001 and 31 March 2000, respectively. As such, a gearing ratio, as required under paragraph 40(2) of Appendix 16 to the Listing Rules, at these two days did not exist.

With the proposed final dividend and cash bonus, the total distribution of dividend and cash bonus for the year amount to HK\$134.6 million, exceeding the Group's profit for the year. Given the strong cash reserves, the generous dividend pay-out will not adversely affect the Group's liquidity. The Group still retains sufficient liquid capital to finance the Group's future operations and business expansion.

PROSPECTS

Recent months have seen a sharp plunge in global equity markets amid the US economy teetering on the edge of recession, allied with shrinking market turnover. The Federal Reserve has engineered a sharp 250bp interest rate cut since the beginning of 2001 to curb the economic slowdown. We are however skeptical that the monetary measures will be effective in stabilizing the decline in the economy and revive market momentum.

China's entry into WTO will boost Hong Kong's capital market. But the Group is pessimistic as to the prospects for the brokerage business particularly on account of the imminent deregulation of fixed commissions that will considerably squeeze brokerage rates, impinging on the Group's major source of revenue. We anticipate that the liberalization of commission will intensify already fierce competition, thereby accelerating the consolidation of the broking community. The Group will continue to monitor the changes in our operating environment and take corresponding measures to safeguard our competitiveness in the market.

Changes in the legislative and regulatory landscape and operating environment have exerted pressure on our costs, particularly in the compliance, technology and computer-related areas. The expenditure in these areas will continue to increase particularly after the BSS trading system comes into operation

CHAIRPERSON'S STATEMENT

later this year. Although it is widely anticipated that this so-called "state-of-the art" system solution can enhance services and efficiency, we have some reservations as to whether the system is capable of addressing the needs of market, clients and the industry.

Looking ahead, the Group will explore every business opportunity in which we can participate, and adopt appropriate strategies to diversify and broaden our revenue streams, in particular when it relates to fee-based income, whilst remaining focused on our core competencies.

In midst of these events, I wish to express thanks on behalf of the Board to all our customers for their support and to our fellow directors and staff for their dedication and contribution during the year.

By Order of the Board
Lee Woo Sau Yin, Gloria
Chairperson

Hong Kong, 13 June 2001