

## Managing Director's Review



### OVERVIEW

The business of the Group this past financial year was adversely affected by the depressed investment climate, after the trading frenzy on TMT stocks came to an end in the second half of 2000. On the other hand, competition within the stockbroking industry has remained keen, which had led to higher promotion costs as we strived to attract and maintain new and old clients. Despite this, the Group remained profitable in its corporate finance and margin finance businesses.

In order to stay ahead of competition pursuant to the Company's stated policy of investing for the future, it is inevitable that mismatch of investment expenditure versus business growth may occur in a financial year. Especially so for the financial year under review where one witnessed the substantial increase in marketing and IT expenses against a backdrop of significant slow down in market activities.

Had it not been for the timely disposal of our entire shareholding in Hong Kong Exchanges and Clearing Limited for an aggregate sum of HK\$118.1 million, the Company would have suffered a small loss in the financial year.

# Prospects



The outstanding client margin loans of the Company amounted throughout the year at a low level of around HK\$1.4 billion which was in line with the lacklustre market. Additional provisions for doubtful debts were also made in view of the declined stock prices of clients' portfolio.

The operation of the securities margin financing business was in compliance with the statutory requirements of the newly promulgated ordinance.

Our corporate finance division continued to be active in the local marketplace during the review period, completing 102 assignments. Its accomplishments include one IPO issue on the main board, three on the GEM board (including the first H-share issue on the GEM), and 23 IPO underwriting assignments. On financial advisory, the division was engaged in seven takeover deals and 35 advisory assignments. In addition, the division acted as manager for four rights issues and 20 placements of shares, warrants and convertible bonds on the secondary market.

In line with our sound track record on integrity, there were no reports of irregularities on the Company's operating units and their respective registered persons that required the attention of the regulatory authorities in the financial year.



The major variances in turnover and operating profit of the Group between the financial years 2000 and 2001 are shown below:

	FY2001 HK\$'000	FY2000 HK\$'000	Variance HK\$'000
<b>Turnover</b>			
Securities broking	130,298	190,104	(59,806)
Futures broking	11,268	13,211	(1,943)
Margin financing	181,185	154,653	26,532
Corporate finance	70,038	153,137	(83,099)
Securities/futures trading	(21,959)	7,692	(29,651)
Others	33,019	41,526	(8,507)
<b>Total</b>	<b>403,849</b>	<b>560,323</b>	<b>(156,474)</b>
<b>Operating profit</b>			
Securities broking	(12,363)	78,403	(90,766)
Futures broking	(5,143)	(3,686)	(1,457)
Margin financing	15,217	47,427	(32,210)
Corporate finance	14,313	86,179	(71,866)
Securities/futures trading	61,404	27,720	33,684
Others	28,545	9,533	19,012
<b>Total</b>	<b>101,973</b>	<b>245,576</b>	<b>(143,603)</b>

Against an increasing competitive operating environment, we still have been able to expand our client base consistently over the past few years, increasing the number of brokerage accounts from less than 7,000 in 1996 to well over 42,000 early this year. The number of branches was increased from four as at the end of March 2000 to 10 at the moment, including one in Macau, which also serves as the endave's first licensed stockbroker.



Business