

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2001, the Group had cash and cash equivalents of HK\$41 million and marketable securities of HK\$53 million. Current Ratio improved to 1.69 (2000: 1.31). Gearing ratio, which is the borrowing to net asset value ratio showed healthy improvement to 0.65 (2000: 1.45) and the ratio of borrowing to total assets also improved to 0.28 (2000: 0.38). To reduce the heavy reliance on the unsecured demand loans as part of the Group's financial resources and to further diversify the interest rate risk exposure, the Group's bank loans and overdrafts were increased to HK\$499 million which represents 82% (2000: 6%) of the total borrowing while the percentage of unsecured demand loans to total borrowing were reduced to 18% (2000: 64%). As of the year end date, the available banking facilities amounted to HK\$1,580 million. The Group believes it has adequate working capital to service its business activities.

Capital Structure

The Company's share capital was enlarged by the issue of 122.3 million new shares at a total consideration of HK\$223.9 million.

Disposal of subsidiaries

Our insurance subsidiaries were disposed of at a profit of HK\$18.1 million this year. The directors decided to refocus the Group's resources on businesses we have strong foothold.

FUTURE PLANS

We have built a solid foundation to tap future development opportunities. Our strengths lie on the following areas:

Market-driven services

We are dedicated to providing well-suited products to match the needs of our general investors. Other than our core stockbroking business on Hong Kong-listed securities and equity-related futures, our clients have ready access to securities investments in other countries, such as China's B-shares as well as stocks traded in all major stock

Successfully

exchanges overseas. Trading services in respect of bullion and foreign exchange futures products will also be launched very soon. Our e-wealth club, established for the purpose of providing a forum for more constructive communication between major clients and ourselves, already attracts a high patronage. This is another premium service we provide to our clients.

IT-driven services

As clients use our efficient online electronic trading system more extensively, we believe there will be substantial cost savings in operations by enhancement in efficiency of our trading system. Our clients are currently able to place orders through five different alternate modes, namely, via the Internet, mobile phones, our interactive voice response telephone system (IVRS), PDA devices, and TVs equipped with set-top boxes. We are also endeavoring to provide the best available settlement convenience for customers, having joined alliances with all the major banks in Hong Kong in effecting funds transfers between our clients and us. Furthermore, the last financial year also saw us launch Hong Kong's first co-branded credit card between a securities house and a commercial bank in Hong Kong, namely the Tai Fook-Dah Sing Bank card, which enables trade settlements by credit. In addition, through our website, our clients can conduct online trading, request for account information and obtain useful and updated investment research information.

Globalization with more emphasis on China

We have plans to become an active player in both the primary and secondary markets for B-shares in Mainland China. We expect these markets to grow substantially in size as more China enterprises choose to raise foreign currency financing in the Mainland domestic markets. We will also extend our client reach globally through our online trading platform and alliances with foreign brokers, in addition to expanding our institutional sales teams. We have already successfully established sales points in major investment markets in the US, Europe and Japan through setting up sales offices in New York and London, and teaming up with Aizawa Securities Co. Limited, a stockbroking firm in Japan respectively. At present, we have two representative offices in Beijing and Shanghai to enable us to maintain close ties with domestic business partners.

While we possess the capability to expand our operations, market conditions have restrained our growth. This may be changing in view of the improved market conditions in recent months, notably owing to much increased activity in red chips and H-shares: total turnover in the two sectors more than doubled during the second quarter in 2001 from the level of the preceding quarter. Our stockbroking business has also picked up significantly since the end of the last financial year, with our market share standing at around 1.5%.

In light of improved market conditions, I am confident that with the Company's well-established brand-name, a sizeable client base, a reinforced information technology infrastructure, and an increased China presence, amid China's imminent accession to the WTO and the continued upgrade of Hong Kong's credit ratings by international rating agencies, the growth of the Company's business will once again accelerate in the current financial year.

Subsequent to the financial year end, the Company offered share options to 32 executives of assistant general manager grade or above entitling them to subscribe for 36.4 million new shares in the Company between 16 November 2001 and 16 November 2004 in accordance with the terms and conditions of the Company's approved Share Option Scheme in recognition of their contributions towards the growth of the Company.

We will continue to focus on staff training and total quality management to better prepare ourselves for any market change. Meanwhile, I would like to thank our staff, shareholders and other stakeholders for the support and patience placed on our management without which I do not think we would be able to carry out our plans in the best interest of the Company in the past financial year.

WONG Shiu Hoi, Peter
Managing Director

Hong Kong, 5 July 2001