

12. Related party transactions

During the period, the Group entered into transactions with Town Bright Industries Limited (“Town Bright”) and UBA Investments Limited (“UBA”). In the opinion of the Board, the following transactions arose in the ordinary course of the Group’s business:

	Six months ended 30 September	
	2001 HK\$’000 (unaudited)	2000 HK\$’000 (unaudited)
Rental expenses to Town Bright	368	454
Investment management fee from UBA	<u>674</u>	<u>0</u>

13. Comparative figures

Certain comparative figures have been adjusted to conform with change in accounting policies.



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CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Thursday, 17 January 2002 to Friday, 18 January 2002, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrars in Hong Kong, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 16 January 2002.

BUSINESS REVIEW

Securities Dealing

During the period under review, our total turnover decreased by approximately HK\$7.1 million, representing a drop of 22%, which is mainly due to a decrease of brokerage income from securities dealing by approximately HK\$7.3 million. Such a decrease in brokerage income was caused by the market turnover of the main board and GEM board of the Stock Exchange had dropped by nearly 30% and 40% respectively during that period. The major reason for such a sharp drop in market activities during the period was the poor market condition caused by the gloomy economic outlook.

The decrease in securities brokerage income led to a drop of contribution by approximately HK\$7 million which is the major reason that our operating profit decreased by approximately HK\$7.4 million.

We have already adopted the Multi-Work-stations System (MWS) after the successful rolling out of the new trading system AMS/3 by the Stock Exchange.

The Broker Supplied Systems (BSS) developed by us has just passed the testing stage and had been approved by the Stock Exchange to rollout its application in late November. The BSS which enable us to provide on-line dealing services to our clients through internet, mobile or other electronic devices will be launched soon.

Our total costs for development of the MWS and BSS systems is only approximately HK\$500,000 which is far less than our budget of HK\$2 million as stated in the prospectus prepared during our new listing on the Stock Exchange.

Financing

Despite the lowering of interest rates, the total interest income from clients and financial institutions increased by 6.9% while contribution to profit increased by 5.8%.

Corporate Finance

Our corporate finance division provided a broad range of corporate finance advisory services to clients. Its business has increased significantly during the period under review with its income even 78% higher than the total income for the whole previous financial year.

Asset Management

At present we are investment manager for seven clients, one of them being a listed company in Hong Kong while another company is seeking for a listing on the Stock Exchange in the near future.

Futures Brokerage

Although the division recorded a small loss during the period, with an increasing number of clients interest in futures products, we can expect that the division will become profitable soon.



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Overall

Profit before taxation decreased by approximately HK\$39.5 million is caused by two major reasons, contribution from securities brokerage dropped by approximately HK\$7 million and the unrealised loss on investment in the shares of HKEC amounted to HK\$6.3 million while it was a profit of HK\$25.8 million in the previous period. This is the only investment that we hold and we do not carry out any other proprietary trading.

FUTURE PROSPECTS

Since the Group listed on the main board of the Stock Exchange in October 2000, we are gradually changing from a traditional securities brokerage company to a financial service conglomerates which clients can enjoy wide range of financial products and services under one roof.



Our aim is to pursue the strategy of becoming one of the top financial service conglomerates in Hong Kong, specialising in providing high quality professional services to institutional and individual clients.

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Although the operating environments for the securities and futures brokerage business are expected to be highly competitive, we are ready and well equipped to respond to the changes and challenges ahead. We have the confident that we will have strong results from our corporate finance and asset management businesses.

In the current environment of a near to zero deposit interest rate, liquid fund will be pushed into the equities market. This can be evidenced by the fact that during the last two months which we experienced several interest rate cuts, there was a sharp increase in turnover of those high yield blue chips utilities companies. Increase in turnover and market activities will surely benefit our brokerage and corporate finance businesses.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2001, the Group had cash and bank balances of approximately HK\$82 million (31 March 2001: HK\$82 million) of which HK\$65 million (31 March 2001: HK\$62 million) were pledged to banks for facilities granted to the Group.

As at 30 September 2001, the Group had available aggregate banking facilities of HK\$85 (31 March 2001: HK\$82 million) of which HK\$7 million (31 March 2001: HK\$14 million) was not utilised.

Capital Structure

There was no change to the Group's capital structure for the six months ended 30 September 2001.

DIRECTORS' INTERESTS IN SECURITIES OF THE COMPANY

As at 30 September 2001, the interests of the directors and their associates in the securities of the Company and its associated corporation as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:–

Name of directors	Number of shares	
	Personal interests	Corporate interests
Cheng Kai Ming, Charles (<i>note</i>)	–	210,000,000

Note: Mr. Cheng Kai Ming, Charles is one of the beneficiary of a trust which assets include interests in the entire issued share capital of CCAA Group Limited ("CCAA"). CCAA holds 210,000,000 shares of the Company.

Save as disclosed above, as at 30 September 2001, none of the directors and chief executive or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the following shareholder held an interest of 10% or more in the issued share capital of the Company which is required to be recorded under section 16(1) of the SDI Ordinance:

Name	Number of shares	Percentage of issued shares
CCAA	210,000,000	75%

Save as disclosed above, as at 30 September 2001, the Company was not notified by any persons who had an interest of 10% or more in the issued share capital of the Company which is required to be recorded under section 16(1) of the SDI Ordinance.



AUDIT COMMITTEE

The audit committee, which comprises of two independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim reports.

CODE OF BEST PRACTICE

Save and except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2001 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.



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

During the six months ended 30 September 2001, there was no repurchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

By order of the Board
Tsang Cheuk Lau
Chairman

Hong Kong, 17 December 2001