

REVIEW OF OPERATIONS AND RESULTS

During the six months ended 31st December 2001, the Group continued to experience a remarkable growth in its turnover. The turnover grew 45% to HK\$76.7 million as compared to the corresponding period last year. The operating profit increased 3.8 times to HK\$21.9 million as compared to the corresponding period last year. Profit attributable to shareholders however was slightly down 3% to HK\$17.4 million as compared to the corresponding period last year. These were mainly attributable to the following reasons:

Japanese commodity futures

- The Group further strengthened its market leader position in the trading of Japanese commodity futures by expanding one of its branches in Central, Hong Kong during the period. As a result, the commission income and operating profit derived from broking in Japanese commodity futures contracts for the period amounted to HK\$66.2 million and HK\$23.1 million respectively (2000: HK\$40.9 million and HK\$10.1 million respectively), representing an increase of 62% and 129% respectively over the corresponding period of previous year.

Securities and margin financing

- The Hong Kong stock market and the whole economy remained sluggish during the period. The total income derived from securities broking and margin financing for the period dropped 47% to HK\$3.4 million (2000: HK\$6.4 million) and operating losses incurred amounted to HK\$3.9 million (2000: HK\$0.8 million).

Asset management and corporate finance

- The businesses of asset management and corporate finance within the Group are still at the development stage, the results of which were encouraging though contributions to the Group's profit were still negative. During the six months ended 31st December 2001, the turnover of asset management business amounted to HK\$1.3 million (2000: HK\$0.9 million), representing an increase of 51% over the corresponding period of previous year.

Provision for bad and doubtful debts

- During the six months ended 31st December 2000, provision for bad and doubtful debts of HK\$5.3 million was made in relation to one index futures client. After this incident, the Group implemented various control measures to enhance its internal control system. There was no such provision made during the period under review.

Gains on disposal of non-trading investments

- During the six months ended 31st December 2000, the Group had disposed certain non-trading investments and recorded a gain of HK\$13.4 million. The Group had neither disposed nor acquired any non-trading investments during the period.