

FINANCIAL REVIEW

Capital Structure and Treasury Policies

Capital Structure

The Company has not issued any additional shares during the year.

During the year, the Company has made share repurchases of a total of 8,136,000 of the shares of the Company on The Stock Exchange of Hong Kong Limited to enhance the net assets value per share of the Company. As at 31 March 2002, the total issued share capital of the Company stood at HK\$48,027,369.90 comprised of 480,273,699 shares of HK\$0.10 each.

Treasury Policies

The business activities of the Group are funded by bank borrowings, unsecured loans and cash generated from operating activities. The Group's bank borrowings are renewable on a yearly basis and are subject to floating interest rate. During the year, no interest rate swap contracts has been entered into by the Group in view of low interest rate environment.

The Group's financial risk management strategies include extending the tenor of facilities, diversifying the funding sources, spreading out the maturity dates to manage interest rate risk exposure.

The Group considers that fluctuations in exchange rates and market prices do not impose a significant risk to the

Group since the level of foreign currency exposure is relatively immaterial as compared with its total assets value or outstanding debts.

Liquidity and Financial Resources

As at financial year end, total borrowings amounted to HK\$632 million with a gearing ratio of 77%. Both the current ratio (current assets/current liabilities) and the ratio of borrowings to total assets maintained at a satisfactory level of 1.58 (2001:1.70) and 0.31 (2001:0.28) respectively. Bank borrowings comprised 75% (2001:82%) of the total borrowings of the Group and were mainly employed for providing clients with margin financing. As at 31 March 2002, market value of the total collateral stocks of margin clients amounted to approximately HK\$4 billion and around 37% of the margin clients' securities were pledged to banks as collaterals for the banking facilities. As at 31 March 2002, the Group had total undrawn banking facilities of approximately HK\$1,103 million with cash and cash equivalents of approximately HK\$40 million and marketable investments of approximately HK\$53 million. The directors believe that the Group has adequate working capital to service its business activities.

As at 31 March 2002, the Group's gearing ratio (total bank borrowings and other loans/net assets value) was 77% as compared with 64% in 2001. The increase in the gearing ratio was due to the operating loss for the

year, which had an adverse effect on the shareholders' equity. Whereas, the ratio of interest income to interest expenses shown healthily at 4.5 times (2001:2.7 times).

Contingent Liabilities

As at 31 March 2002, the Company has provided corporate guarantees to the extent of HK\$1,930 million (2001:HK\$1,705 million) to secure the general banking facilities granted to a subsidiary. The amounts drawn down against these facilities at the year end date amounted to approximately HK\$472 million (2001:HK\$489 million).

Corporate guarantees to the extent of US\$4 million (2001:Nil) have been provided by the Company in respect of gold trading facilities granted to a subsidiary; and the Company has provided a corporate guarantee to the extent of HK\$10,345,000 (2001:Nil) in favour of the lessor in respect of an operating lease arrangement for leasing a computer equipment by a subsidiary.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

During the year, due to the prolonged market depression and the impact of 9.11 attack on financial markets, both subsidiaries in the United Kingdom and in the United States of America were closed down. Apart from this, there was no material acquisition or disposal of

subsidiaries and associated companies by the Group for the year.

Employees

The Group's total staff costs for the year ended 31 March 2002, excluding directors' emoluments, amounted to HK\$142 million (2001:HK\$156 million). As at 31 March 2002, the Group employed a total of 392 (2001:445) permanent staff.

A share option scheme adopted by the Company at its special general meeting on 17 July 1996 and amended by resolution of the board of directors on 30 July 1996 for the employees and executive directors of the Company and its subsidiaries, is in operation.