

# Management Discussion and Analysis

## 管理層討論及分析



The Group is committed to strengthening its position as one of Hong Kong's leading local financial institutions and to continuing its role as a major participant in the financial services industry.

作為香港首要的本地金融機構之一，集團致力加強其地位，並繼續擔當金融服務業主要參與者的角色。

### OVERVIEW OF 2003

The Hong Kong stock market once again demonstrated its resilience and staged a remarkable recovery in the second half of 2003. During this period, amid extremely volatile market conditions, the Hang Seng Index finished strongly with a gain of 34.9% for the full year to close at 12,575.94 while the average daily turnover rose 58.6% to HK\$10,265 million. The Hang Seng H-share Index rose by 152%, fuelled by investors' interest in, and enthusiasm for, the P.R.C. economy. This strong market performance marked a return of confidence for both local and foreign investors as concerns over the uncertainties caused by the aftermath of the Iraq War and the outbreak of SARS in the first half of the year dissipated.

This trend reversal was supported by a weakening US dollar which, coupled with the bottoming of the long-term bond yield in the U.S., induced an exodus of funds from U.S. Treasuries into other investments and markets. The more recent widespread speculation concerning a possible RMB revaluation also attracted money into Hong Kong in search of mainland P.R.C. investment opportunities. The high demand for H-shares was also reflected in increased activity in the second half in both Initial Public Offerings (IPOs) and secondary issues or placements, drawing active interest from investors resulting in significant price appreciation of certain IPO issues after listing.

### 二零零三年綜覽

於二零零三年下半年，香港股票市場一再表現其反彈力，呈現顯著的復甦。在這期間，在市場極為波動的情況下，恒生指數全年大幅上升34.9%，收12,575.94點，每日平均交投量增長58.6%，達10,265百萬港元。受到投資者對中國經濟的濃厚興趣所刺激，恒生H股指數上升152%。這強勁的市場表現標誌著本地及外國投資者對上半年度伊拉克戰爭的餘波及非典型肺炎所引起的不明朗因素的憂慮已經消除，並回復信心。

這趨勢的逆轉乃受到美元弱勢所支持，加上美國長期債券收益見底，導致資金由美國財政部流入其他投資及市場。近期市場對人民幣可能升值的推測亦吸引資金流入香港，藉以尋求投資中國內地的機會。下半年度各公司首次公開招股及在交易市場進行股份發行或配售的活動增加，反映市場對H股的需求甚殷，在投資者的追捧下，若干股票在首次上市後的價格顯著上揚。

Investors' confidence was further supported by the upturn in the interest rate cycle and by both mainland and Hong Kong GDP growth exceeding the most optimistic forecasts. Supportive measures introduced by the mainland P.R.C. government were well received. These included the introduction of the Individual Visa Scheme, and the confirmation and further detailing of CEPA. These initiatives have both assisted the recovery in the retail sector and contributed to an upsurge in Hong Kong property prices in the second half of the year.

## REVIEW OF OPERATIONS

### Securities Broking

Continuing efforts to diversify our products and services range enabled the Group to capitalize on the market rebound. Our involvement as a Liquidity Provider (LP) and distributor of Equity Linked Instruments (ELIs) for several leading warrant issuers and international investment banks provided us with a significant income stream. With the deregulation of the minimum brokerage rules in April 2003, various promotional schemes such as a series of asset gathering and warrant incentive programs, benefited both our clients and account executives. In addition, our new Sales Administration Management System (SAMs) launched in 2003 provided our account executives with better access to client, market and trade information and enabled our sales force to further improve our customer service compared to the services offered by our competitors. Further, third party execution and clearing services provided to non-exchange participants grew significantly over 2002. As we participated in more than 46 issues of new shares offerings, sub-underwriting and placements of equities and warrants for clients, the Group's IPO financing also increased substantially, generating both brokerage and substantial incremental income based on the interest spread. Strong links were established with mid-sized Japanese brokerages, without their own presence in Hong Kong, to satisfy their clients' interest in investing in the China-related market. This has resulted in substantial order flow.

The Group's retail network also enabled it to act successfully as the coordinating distributor for, and dealer in, the mini-bond and structured note products of major investment banks.

加息週期及內地與香港的本地生產總值超過最樂觀的市場預測，進一步鞏固投資者的信心。中國政府在香港推出的支持性措施廣受歡迎，這些措施包括推出個人旅遊簽證計劃，以及對更緊密經貿關係安排(CEPA)的確定和進一步闡釋。這些積極進取的措施不單有助香港下半年度零售業的復甦，更促使香港的物業價格急劇上揚。

### 業務回顧

#### 證券經紀業務

憑著不斷致力實行產品與服務多元化，集團得以乘著股市反彈而獲利。集團為數間首要之認股權證發行人及國際投資銀行擔任流通量提供者及股票掛鈎票據分銷商，帶來了重大的收入貢獻。隨著最低經紀佣金制於二零零三年四月被廢除，集團推出多項推廣計劃(如資產吸納及優惠保證計劃)，均令其客戶及經紀受惠。此外，集團於二零零三年推出新的銷售行政管理系統(SAMs)，為經紀提供接觸客戶、市場及交易資料的更佳渠道，進一步提升集團的客戶服務質素，媲美競爭對手所提供的服務。此外，向非交易所參與者提供的第三方交易執行及結算服務較二零零二年大幅增長。年內集團為客戶參與新股發行、股票及認股權證的分包銷及配售超過46宗，集團在新公司首次公開招股中之放款亦因而顯著增加，在經紀業務方面及因息差而取得之收益均帶來重大增長。集團已與數間中型的日本經紀行建立密切聯繫，使他們無須在香港設立辦事處的情況下，仍能照顧到其客戶於與中國市場有關的投資利益，該等業務已為集團帶來了大量的買賣盤。

集團亦憑藉其零售網絡成功擔任數間主要投資銀行的迷你債券及結構性票據產品的統籌分銷商及交易商。

# Management Discussion and Analysis

## 管理層討論及分析

Our Research team expects that the positive market sentiment and the economic recovery in Hong Kong and overseas should enable the stock market to maintain its momentum during 2004. The equity capital market is expected to remain strong with more new share issues including H-shares expected. New sales executives are continually being recruited to further consolidate our leadership position. If the market remains strong, the outlook for the Group's traditional brokerage business is positive.

New technologies such as IVRs, telephone order and inquiry systems, and online trading were added to our traditional Account Executive network in 2003. These valued added services increased our clients' choice of access and dealing capabilities.

### Financial Institutions Group

The Financial Institutions Group (FIG) was established at the end of 2002 to provide customized services for financial institutions and international investment banks. The FIG team also has a mandate to identify new business niches that complement existing brokerage businesses of the Group.

Derivatives were a key area of focus for FIG during 2003 and accordingly much effort was channeled into development of the necessary risk management and system infrastructure to support such activities. Additionally, the recruitment of high calibre personnel with appropriate experience was a priority. At present, the Group maintains three operations under the FIG team, Derivatives and Arbitrage Trading, Derivatives Broking and Structuring, and Equity Broking and Structuring.

During 2003, the Group was active in the local options and futures market, capturing a significant market share that resulted in the Group being ranked at or close to Number 1 in the HKEx Turnover Ranking for listed HSI options. In the area of arbitrage and derivatives trading, FIG also managed to generate substantial returns on capital employed.

集團資料研究部預期，香港及海外的積極市場氣氛及經濟復甦情況應可令股票市場在二零零四年維持其強勢。預期證券資本市場將因更多的新股發行(包括H股)活動而維持強勁。集團不斷招聘營銷人員，以進一步鞏固集團的領導地位。如市場表現維持強勁，集團的傳統經紀業務的前景將仍樂觀。

集團的傳統經紀網絡在二零零三年已加入嶄新科技，如互動式語言回覆(IVRs)的電話買賣盤和查詢系統及網上交易。這些增值服務令集團客戶可透過更多渠道取得資料，並提高集團的交易能力。

### 金融機構統營部

金融機構統營部於二零零二年底成立，為金融機構及國際投資銀行提供度身訂製的服務。金融機構統營部亦獲任命以探尋集團合適發展之新業務，以補充集團現有之經紀業務。

衍生工具為金融機構統營部於二零零三年的重點業務，因此，該部門積極致力發展必須的風險管理及系統設施以支援有關活動。此外，招聘具有適當經驗的高質素人才是該部門的首要任務。現時，集團的金融機構統營部設有三種業務：包括衍生工具及套戥交易、衍生工具經紀及結構，以及股票經紀及結構方面之業務。

於二零零三年，集團活躍於本地期權及期貨市場，並取得顯著的市場佔有率，令集團在香港交易所恒指期權成交額排名第一位或接近第一位。在套戥及衍生工具的交易方面，金融機構統營部亦能夠運用其資金取得顯著之回報。

## Online Trading

During the first half, SHK Online maintained its growth momentum from the previous year, and slightly improved both its turnover and market share. By the end of 2003, SHK Online, capitalizing on its positioning as an "industry leader", captured significant increases in client base, volume, market share, and importantly, revenue. For the year as a whole, SHK Online was able to post its maiden annual profit.

The second half of 2003 also saw the launch of SHK Online's new online trading service for HSI futures contracts, and shortly thereafter, H-share Index futures. The new eFutures product was a natural complement to SHK Online's existing product, and has been well received by its clients. Operational profitability was achieved in a very short time-span of 3 months.

Current indications suggest generally more favorable market conditions in 2004 compared to the previous year. Work is already underway to capitalize on market conditions, with the planned introduction of additional products and services throughout the year. The focus will be on the various key ingredients that have underpinned SHK Online's success to date.

## Research

Notwithstanding the difficulties encountered in the first half, the Group strengthened its research capability by recruiting high calibre staff during the year. Except for during the brief period of SARS, our Research team made frequent trips to the mainland P.R.C. to deepen our coverage of H-shares, together with numerous plant visits to monitor the business development of industrial companies in the midst of the global outsourcing trend. We published a total of 322 strategy, sector and company reports on top of our daily Investment Notes; attended 638 company visits and presentations; and recorded 2,988 media quotes for the year representing a 9.5% improvement over 2002. Two press conferences and eleven branch seminars were also hosted by our Research team.

## 鴻財網

在上半年度，鴻財網承接上一年的增長動力，在成交額及市場佔有率方面均略有增長。於二零零三年年底，鴻財網作為「業內領導者」，在客戶基礎、交投量、市場佔有率以至更重要的收入各方面，均錄得顯著增長。綜觀全年，鴻財網首次錄得盈利。

在二零零三年下半年，鴻財網推出了恒指期貨合約的全新網上交易服務，不久，H股指數期貨的網上交易服務亦相繼推出。新的電子期貨產品是鴻財網現有產品的補充產品，受到客戶歡迎，只在短短三個月內，已錄得營運盈利。

現時的跡象顯示二零零四年的市況一般較上年度為佳。一些可隨市況而受惠的項目現已在進行中，並計劃在年內推出更多的產品及服務，但重點將放在一直令鴻財網得以成功鞏固的各種主要業務上。

## 資料研究

儘管上半年度困難重重，集團仍在年內透過招聘優秀人才進一步提升其資料研究的實力。除了在非典型肺炎的短暫期間外，研究部人員經常出訪中國內地，加深對H股的研究，另外亦多次到訪各廠房，務求在全球外判的趨勢中監察實業公司的業務發展。資料研究部除了每日發表投資摘要外，亦刊發了策略性、個別行業及公司報告共322份；出席了638次公司採訪及簡報會；以及錄得2,988次媒體引述，較二零零二年增加9.5%。該部門亦曾主辦兩次記者招待會和11次在集團分行舉行的講座。

# Management Discussion and Analysis

## 管理層討論及分析

In general, 2003 was another productive year as our top 20 calls again outperformed the HSI by substantial margins of 50.7-105%, despite the sharp market rally. Our model portfolio, which comprised our most preferred stocks, registered a significant capital gain of 68.6% in 2003, which not only outperformed the HSI, but ranks its performance within the top-quartile of Hong Kong authorized funds.

Our independence is demonstrated by the following breakdown in the recommendations made throughout 2003: BUY 39.1%, HOLD 35% & SELL 25.9%.

### Corporate Finance

The favorable market conditions of the second half described above stimulated the economy and encouraged cross-border co-operation opportunities. The Group acted as financial advisors to listed companies and on issues including merger & acquisition, investment, financing and share repurchase. We were appointed as a placing agent for share placements and underwriting on various new issues, and as the sponsor for an IPO.

We continued to be active in the local market, and successfully completed the sponsorship of Broad Intelligence International Pharmaceutical Holdings Limited on the main board of The Stock Exchange of Hong Kong Limited. We were appointed as the financial advisor to the offerors on the acquisition of listed companies including Shanghai Merchants Holdings Limited, L.P. Lammas International Limited, Digital World Holdings Limited, Oriental Explorer Holdings Limited and Fortuna International Holdings Limited. Additionally, we were the financial advisor to Tian An China Investments Company Limited, Allied Group Limited and our own Company on their general offers for the repurchase of shares; and the placing agent of Wing Lee Holdings Limited and QPL International Holdings Limited for the placement of shares. Numerous underwritings of shares, including China Life Insurance Co., Ltd., AviChina Industry & Technology Company Limited, and Hopewell Highway Infrastructure Limited were also undertaken.

整體而言，二零零三年是資料研究部另一產量豐富的一年。儘管市場急劇反彈，集團推介買入的首20隻股份的股價表現亦顯著超越恒指50.7至105%。集團的模擬投資組合（其中包括集團推介的股份）在二零零三年錄得68.6%的可觀資本收益，這表現不單超出恒指，排名亦在幾隻表現最佳的香港認可基金之中。

研究部的獨立性可於二零零三年內所作的投資建議中得到引證，細分如下：買入39.1%；持有35%及沽售25.9%。

### 企業融資

上述下半年度的良好市況均對經濟起了刺激作用及造就了跨境的合作機會。集團為數間上市公司就有關合併與收購、投資、融資及股份回購等事宜擔任財務顧問。集團亦為數宗股份配售及包銷擔任配售代理，並為首次公開招股之公司擔任保薦人。

集團繼續活躍於本地市場，並成功為在香港聯合交易所有限公司主板上市的博智國際藥業控股有限公司完成保薦工作。集團就上市公司之收購獲數名要約人聘為財務顧問，包括上海商貿控股有限公司、豐裕興業國際有限公司、數字地球控股有限公司、東方網庫控股有限公司及廣益國際集團有限公司。此外，集團亦就天安中國投資有限公司、聯合集團有限公司及本公司之股份全面回購建議擔任財務顧問，並就永利控股有限公司及品質國際集團有限公司之股份配售擔任配售代理。另外，集團亦為中國人壽保險股份有限公司、中國航空科技工業股份有限公司及合和公路基建有限公司等進行了股份包銷工作。

## China Operations

During 2003, the China Operations department continued to provide corporate finance services to clients in China regarding their potential listing on the Hong Kong Exchange, and maintained a close relationship with its strategic partner companies and organizations on the mainland. We believe that our expansion in Shanghai, the economic and financial centre of China, has assisted liaison with our clients and the market, and has also strengthened the Group's brand name.

## Securities Financing

The market rebound in the second half of the year resulted in an increase in our margin loan book of 21.2% compared to the year of 2002. Net revenues were strongly positive through the substantial use of the Group's shareholders' funds in a low interest rate environment.

## Term Lending

Term lending levels trended downwards in 2003 as stronger capital markets provided potential borrowers with alternative funding opportunities. Net income levels however, were still strongly positive.

## Foreign Exchange, Bullion, Commodities, Financial Futures and Other Products

Partly due to the launch of eFutures in October 2003, the transaction volume in Hong Kong commodities products soared by 92% compared with that of 2002.

However, the strong sentiment in the stock market attracted investor focus and the redeployment of funds from leveraged forex to securities trading. While the volume transaction in forex declined by 8% in 2003 over the previous year, revenue, including dealing profit and interest income, has improved by approximately 25%. In addition, the shortfall in volume transaction from forex was compensated by a 30% growth this year in overseas commodities products, especially DJIA, S&P, and physical commodities traded on Japanese exchanges.

The volatility in precious metals provided opportunities for the Group to expand its business in this area, to the extent that it recorded a remarkable growth in volume exceeding 100% compared with that of 2002.

## 中國業務

於二零零三年中國業務部繼續為中國客戶提供企業融資服務，協助該等公司進行擬在港交易所上市的工作，並與集團在國內之多個策略性夥伴和機構維持緊密聯繫。我們相信，集團在中國的經濟及金融中心——上海——擴展業務，有助集團與客戶及市場之間的連繫，同時亦可提高集團的知名度。

## 證券放款

股市於下半年度反彈，令集團之證券放款額較二零零二年上升21.2%。集團在低利率之環境下大量運用其股東資金，令集團在此項業務取得理想之淨收益。

## 有期借款

由於較強之資本市場為潛在借款人提供其他融資機會，集團在二零零三年之有期借款額下跌。然而，在此方面之淨收入仍然可觀。

## 外匯、黃金、商品、期貨及其他產品

集團在香港商品方面之成交額較二零零二年上升92%，部份原因是集團於二零零三年十月推出了電子期貨。

然而，股票市場之強烈氣氛吸引了投資者的注意，促使他們從槓桿外匯調動資金進行證券買賣。外匯成交額在二零零三年較上年度下跌8%，惟交易利潤和利息收入卻上升約25%。此外，外匯成交額之下跌亦為海外商品（尤其是道指、標普及在日本交易所買賣的實物商品）於年內30%增長的成交額所彌補。

貴金屬的大幅波動為集團提供了擴展有關業務的機會，使集團錄得較二零零二年超出100%的顯著增長。



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## 管理層討論及分析

### Wealth Management

2003 was a year of rapid growth for the Wealth Management team. The number of consultants grew from 14 to 39 and revenue increased by more than 400% resulting in early profits for the department. We expect growth to continue, as our team benefits from a growing need in the retail market for independent quality financial advice. We believe the Group is in a unique position to offer tailor-made financial solutions using a full range of financial products.

### Alternative Investments

In 2003, our Fund Management's Alternative Investments division experienced an impressive growth in assets under management in its offshore SHK Global Strategy Fund from US\$118 million to US\$220 million. This fund is open only to qualified investors and is not marketed to the public.

The success of its SHK US\$ Yield Plus Fund led our team to prepare for the launch in the first quarter of 2004 of a second fund, the SHK Value Restructuring Fund.

Given the increasing awareness of, and demand for, quality alternative funds in the Asia-Pacific region, we believe our research expertise and market knowledge should provide opportunities to introduce top performing funds and innovative products to Asian investors.

### Insurance Broking

Despite challenging market conditions in the first half of the year, the Insurance team performed well in 2003 and recorded an annual profit growth of over 20% compared with last year. We continue to maintain our leadership position as the largest locally based insurance broker in Hong Kong.

Our team adopted an aggressive marketing approach focusing on specialty products and industries. In order to maintain competitiveness and sustain growth and profitability, we will concentrate on strengthening our relationship with our customers and insurers, and enhancing our professional standards through constant staff development and operational review.

### 資產管理

二零零三年是資產管理部發展迅速的一年。該部門的顧問人數由14人增至39人，收益增長超過400%，並提早取得盈利。鑒於零售市場對獨立優質之財務意見需求日增，該部門將會受惠，預期其業務將持續增長。我們相信集團在此項業務佔著獨有的位置，能運用多元化的金融產品為客戶提供度身訂製之財務方案。

### 另類投資

於二零零三年，基金管理旗下的另類投資部之離岸新鴻基環球策略基金所託管之資產錄得顯著增長，其資產值由118百萬美元增加至220百萬美元。此基金只供具認可資格的投資者認購，而不會向公眾發售。

新鴻基美元益增基金的成功，亦促使該部門預備在二零零四年首季推出第二隻基金——新鴻基價值重建基金。

由於投資者對亞太區的優質另類基金的認識和需求有所增加，我們相信藉著集團在資料研究方面的專業知識和對市場的認知，應可為亞洲投資者提供引進表現優秀的基金及嶄新產品之機會。

### 保險經紀

儘管二零零三年上半年之市況備受考驗，保險部於二零零三年仍有良好表現，與上年度相比錄得超過20%的全年盈利增長。作為香港最大的本地保險經紀之一，集團的領導地位得以維持。

該部門採取積極進取的市場推廣策略，將重點放於專門之保險產品及個別行業上。為保持競爭力及維持業務增長與盈利，集團將集中加強與客戶及保險公司之關係，並透過固定的職員培訓和業務檢討，提升集團的專業水準。

### Electronic Financial Information Service

Our continued adoption of a stringent cost control policy resulted in further lowering of operating costs. Towards the last quarter of 2003, we recorded turnaround results with a small operating profit compared with a loss in 2002.

Our new product, "Intelligent Stock Monitor", received encouraging response from the market and the revenue from it is still growing.

We remain one of the dominant financial content providers for Hong Kong equities, in particular for the online market. We will continue to upgrade our existing products with more advanced features. We hope to improve our overall performance for 2004 in line with the current stock market conditions.

### Shun Loong Holdings Limited

Shun Loong Holdings Limited (Shun Loong) was acquired in June 2003 as a strategic move to further enhance the Group's competitiveness as a dominant financial services provider in Hong Kong.

Since the acquisition, Shun Loong has continued to operate as an independent entity, although subjected to our overall policies on compliance, credit, cost control and accounting. Several significant reform measures, including availability of financing from the parent, were introduced to facilitate its business development. The re-structured management team reviewed and revised its policies to meet the Group's standards with heightened regulatory and compliance requirements. Shun Loong has strengthened its brokerage business by a series of special offers and a commission rebate campaign; and re-focused its business direction on private client services and the China market. As a result of this campaign and re-focusing, the value of client assets in its custody increased substantially from acquisition to the end of 2003.

Shun Loong's focus is to become an all-round financial services institution through continued diversification into new areas such as equity capital market and forex proprietary trading as well as integration of its workflow through merger and outsourcing arrangements with the Group.

### 電子財經服務

由於持續實行嚴謹的成本控制政策，該業務的經營成本得以進一步下降。與二零零二年的虧損情況相比，此項業務在邁向二零零三年最後一季的業績好轉，取得輕微的經營溢利。

集團的新產品「港股綜覽」獲得市場的熱烈反應，其收益仍在增長。

集團仍是本港股票市場的主要財經內容供應商之一，尤其是網上市場方面。集團將繼續提升現有產品線，增加更多先進的產品服務。我們希望與當前的股市同步發展，於二零零四年獲得更佳的整體業績。

### 順隆集團有限公司

集團於二零零三年六月收購順隆集團有限公司（順隆），策略性地進一步增強集團作為本港主要金融服務供應商的競爭力。

雖然順隆仍受集團的法規監核、信貸、成本控制及會計之整體政策所規限，但自收購以來，順隆一直獨立運作。順隆實行了幾項主要的改革措施（包括可向母公司融資），藉以促進其業務發展。重組後的管理層檢討及修改了其政策，遵守更高的監管及法規監核要求，以符合集團的標準。順隆已透過一系列的特別推廣及佣金回扣計劃，增強其經紀業務，並將其業務方向重新集中於私人客戶服務和中國市場上。由於此項計劃的實施和重新集中焦點，從收購起直至二零零三年年底為止，順隆託管的客戶資產值已大幅提升。

順隆的焦點是透過持續將業務多元化發展至新的業務（包括發展證券資本市場及進行外匯自營買賣）而成為全面的金融服務機構；並藉著與集團合併及外判安排整合其工作流程。



# Management Discussion and Analysis

## 管理層討論及分析

### Sun Hung Kai International Bank [Brunei] Limited

Sun Hung Kai International Bank [Brunei] Limited, a newly incorporated wholly-owned subsidiary of our Group has been granted the first Full International Banking License in Brunei under the International Banking Order, 2000 issued by the Ministry of Finance, Brunei.

A formal opening of Sun Hung Kai International Bank [Brunei] Limited was held in Brunei on 5 February 2004. The opening ceremony was officiated by the Honorable Deputy Minister of Finance, YM Dato Paduka Haji Yakub bin Abu Bakar at the office of the new bank. The bank intends to conduct international banking business including deposit taking from non-residents, extending credits, arranging money collections and transmissions, foreign exchange, issuance of guarantees as well as offering investment banking and other banking services.

### COST CONTROL

Administrative expenses increased by 18% to HK\$285.6 million (2002: HK\$242.0 million) as a result of growth, and notwithstanding stringent cost controls and ongoing development of operational efficiencies.

Staff costs (including directors' emoluments) and contributions to retirement benefit schemes increased by 15% to HK\$148.2 million (2002: HK\$128.9 million) predominately as a result of the acquisition of Shun Loong in June 2003 and the rapid development of our Wealth Management, Alternative Investments and International Commodities departments. However, as these new departments were profitable, the increase in staff costs were considered to be acceptable.

Towards the end of the year, we managed to negotiate a substantial reduction in the lease costs at our Pacific Place headquarters. These savings will be reflected from 2004 onwards.

### Sun Hung Kai International Bank [Brunei] Limited

Sun Hung Kai International Bank [Brunei] Limited 是集團全資擁有新成立之附屬公司，在汶萊財政部根據《2000年國際銀行法則》(International Banking Order, 2000) 獲頒發首個全面國際銀行牌照。

Sun Hung Kai International Bank [Brunei] Limited 的正式開業典禮已於二零零四年二月五日在汶萊於該銀行的辦事處舉行，典禮由財政部副部長YM Dato Paduka Haji Yakub bin Abu Bakar主持。該銀行將進行國際銀行業務，包括接受非定居人士的存款、提供信貸、安排現金代收及轉遞、外匯交易、簽發擔保以及提供投資銀行及其他銀行服務。

### 成本控制

儘管厲行成本控制及持續提升經營效率，管理費用因集團之增長仍增加了18%至285.6百萬港元(二零零二年：242.0百萬港元)。

員工成本(包括董事酬金)及退休福利計劃增加15%至148.2百萬港元(二零零二年：128.9百萬港元)，主要由於在二零零三年六月收購順隆，以及集團的資產管理、另類投資及國際期貨部的迅速發展。然而，由於該等新部門均錄得盈利，因此員工成本的增加仍可接受。

邁向去年年底時，集團位於太古廣場的總部的租金成本經商討後獲得大幅度減低。這些節省的款項將自二零零四年起獲得反映。

## HUMAN RESOURCES AND TRAINING

As of 31 December 2003, the total number of employees was 779. Staff costs (including directors' emoluments) and contributions to retirement benefit schemes amounted to approximately HK\$148.2 million (2002: HK\$128.9 million).

We operate differing remuneration schemes according to role. For sales personnel of Sun Hung Kai, the package comprises a base pay or draw, and commission/bonus/sales incentive, whereas for non-sales personnel, it comprises base pay and performance-related bonus elements when circumstances are appropriate.

For salary-based non-sales personnel of Shun Loong, the package comprises a base pay and performance-related bonus when circumstances are appropriate, while for its draw-based sales personnel, the package comprises a base draw and commission.

There are currently no share option schemes applicable to the Group's officers or employees.

The Group will, in the coming year, continue to recruit suitable candidates in order to capture additional niche markets in the trading and institutional broking areas.

In our continuing support of the Financial Services Bureau in meeting the human resources development needs of the financial services sector, we have offered internship places to local university students to enhance their practical working experience and develop their financial knowledge. We also extensively recruit trainees each year, particularly in our branches.

We have organized a total of 22 in-house Continuing Professional Training (CPT) programs for our sales staff to ensure that they are updated with new product knowledge and current regulatory issues.

## 人力資源及培訓

截至二零零三年十二月三十一日，集團僱員人數共有779名。僱員成本(包括董事酬金)及退休福利計劃合共約148.2百萬港元(二零零二年：128.9百萬港元)。

集團為營銷及非營銷僱員設立不同之薪酬制度。新鴻基營銷僱員之薪酬組合包括底薪，以及佣金／花紅／銷售獎金，而非營銷僱員則包括底薪及於適當情況下按表現發放之花紅。

順隆按薪金計算之非營銷僱員，薪酬組合包括底薪及於適當情況下按表現發放之花紅，而按酬勞計算之營銷僱員，薪酬組合包括底薪及佣金。

集團現時並無適用於其高級職員或僱員之認購股權計劃。

集團將在來年繼續招聘適當的人員，在股票買賣及機構經紀業務方面拓展更多合適的市場。

為繼續支持財經事務局並滿足培訓財經服務界人才的需要，集團提供實習生空缺予本地大學生，協助他們增加實際工作經驗及汲取財經知識。集團(尤其各分行)每年均廣泛地招聘見習人員。

集團亦為旗下銷售員工舉辦了22個內部持續專業培訓(CPT)課程，確保員工掌握最新之產品知識及現行之監管事務資訊。

# Management Discussion and Analysis

## 管理層討論及分析

### INVESTMENTS IN PRINCIPAL ASSOCIATED COMPANIES

#### Tian An China Investments Company Limited (48.17% owned)

Tian An China Investments Company Limited (Tian An) recorded sales of total gross floor areas of approximately 291,000m<sup>2</sup> (2002: 250,000m<sup>2</sup>), representing an increase of 16% over 2002. Properties sold in the P.R.C. such as Shanghai Tian An Villa (Phase 1), Wuxi Redhill Peninsula (Phase 2), Changzhou New City Garden (Phase 3), Nantong Tian An Garden (Phase 1) and Tian An Cyber Park contributed significantly to a satisfactory performance with the company's nett profit increasing by 17.7% to HK\$102.4 million.

Dense population and serious traffic congestion in central commercial and residential areas of major mainland cities has led to an acceleration of urbanization on the outskirts. This, together with the government policy of revitalizing the economy in the old industrial area of the three provinces in the north-east; the economic growth in the Yangtze River Delta; the gradual strengthening of the economic system of the Pearl River Delta should provide developers with significant opportunities. The current land policy and the relatively tight policy on project financing have increased developer costs, resulting in a phase of elimination of weaker participants. Developers with solid resources, such as Tian An, should benefit from this trend.

Tian An has adopted a positive approach to deal with external changes by actively creating opportunities, controlling risk, costs and expenses, and closely monitoring the schedule of construction works. Tian An will also appropriately increase its land reserve as a foundation for its long-term development.

The Group's shareholding in Tian An increased from 43.27% to 48.41% at the year end as a result of Tian An's share repurchase program, and the acquisition of additional shares.

### 於主要聯營公司的投資

#### 天安中國投資有限公司 (集團持有48.17%權益)

天安中國投資有限公司(天安)錄得售出之總樓面面積約為291,000平方米(二零零二年: 250,000平方米),較二零零二年上升16%。在中國內地銷售的物業,如上海天安別墅(第一期)、無錫紅山半島(第二期)、常州新城市花園(第三期)、南通天安花園(第一期)及天安數碼城,令天安取得令人滿意的業績,其淨溢利增長17.7%至102.4百萬港元。

內地各大城市商住地段的辦公區及住宅區人口十分稠密,交通擠塞情況嚴重,此種現象進一步催使了城市外擴的速度。與此同時政府振興東北三省舊工業區的政策、長江三角洲的經濟發展、珠江三角洲的經濟體系的逐漸壯大,為發展商製造了大量開發機會。現時實施的土地政策及相對緊縮的貸款政策增加了發展商的成本,使房地產開發業進入了一個汰弱留強的階段,而具備實力的發展商(包括天安)將會因此而受惠。

天安以積極態度面對外界環境之變化,包括積極創造機會、控制風險、成本與開支,以及密切監督各項工程的進度。天安亦將適當地增加土地儲備,為未來長遠發展奠定基礎。

集團因天安的股份回購計劃以及收購額外的股份,以致其在天安的持股量由43.27%增加至年底的48.41%。

### Quality HealthCare Asia Limited (28.73% owned)

Following significant corporate restructuring in 2002, Quality HealthCare Asia Limited (Quality HealthCare) in 2003 concentrated on consolidation and focused its resources on the growth and development of its core healthcare businesses. Although the destabilizing effects of a takeover bid, corporate restructuring costs and SARS in the first half adversely affected Quality HealthCare's results, the acquisition of new clients assisted the core Medical and Healthcare Services division in producing satisfactory results. The Elderly Care division's performance was adversely impacted by low occupancy rates and a competitive market, but it is devoting further effort towards building a stronger performance in 2004.

Quality HealthCare's range of Life Enhancement Services, initially introduced to its clients in 2002, continued to produce encouraging results in 2003. Additional services such as Sleep Study have been launched, and it is Quality HealthCare's intention to develop additional medical, including specialist, services for Hong Kong.

### Yu Ming Investments Limited (21.53% owned)

Yu Ming Investments Limited (Yu Ming) derived most of its profit in 2003 from disposal of investments in equities, debt securities, partial recovery of debt from the restructuring of Tem Fat Hing Fung (Holdings) Limited, and earnings from the Argyle Centre shopping mall in Mongkok.

Its major investments were in Hong Kong equities, international debt instruments and its investment in the Argyle Centre, a fully leased shopping mall in a prime location in Mongkok. Rental income was stable, benefiting from low interest rates through a leveraged structure in an associated company holding the property.

A significant portion of the equity and debt securities portfolio was disposed of in 2003, realizing a good capital gain.

### 卓健亞洲有限公司 (集團持有28.73%權益)

繼二零零二年進行了重大的公司重組後，卓健亞洲有限公司(卓健)在二零零三年專注於業務整固，並集中資源於其核心醫療保健業務的增長和發展上。出價收購的不穩定效應、公司重組的費用及上半年度非典型肺炎事件對卓健的業績帶來了不利影響，但由於獲得新的客戶，故有助核心醫療及保健服務部門取得令人滿意的成果。由於入住率低及市場競爭激烈，因此護老服務部的表現受到不利影響。但該部門現正加倍努力，務求在二零零四年爭取更佳表現。

卓健於二零零二年首度向客戶推出一系列的提昇優質生活服務，此等服務在二零零三年繼續帶來理想的業績。卓健之新增服務包括睡眠研究等服務現已推出，並計劃在香港提供更多的醫療(包括專科)服務。

### 禹銘投資有限公司 (集團持有21.53%權益)

禹銘投資有限公司(禹銘)在二零零三年錄得的溢利主要來自出售股票及債務證券之投資、收回源自添發慶豐(集團)有限公司重組之部份債款，以及位於旺角區的旺角中心商場的盈利。

禹銘之主要投資為香港股票、環球債券及在旺角中心的投資。旺角中心乃一個位於旺角區人流最多之商場，現已全部租出。此投資項目之租金收入穩定，而由於擁有該商場之禹銘聯營公司之資金部份來自銀行借款，因應利率向下調整而促使該項目回報有所提升。

於在二零零三年出售大部份股票及債務證券組合，為禹銘帶來可觀的資本收益。

# Management Discussion and Analysis

## 管理層討論及分析

In August 2003, Yu Ming joined a private sector consortium (JV) to invest with the Hong Kong Government and the Airport Authority to develop and operate the Hong Kong International Exhibition Centre (IEC) at the Hong Kong International Airport. A soft opening is expected at the end of 2005. As at 31 December 2003, Yu Ming had a 37.85% interest in the JV and has the right to increase its interest to 60% at cost until 23 August 2004. That JV in turn has a 13.5% interest in IEC.

Yu Ming is optimistic about the prospects of the Argyle Centre and IEC. The recovery of retail activities and the property market in Hong Kong is expected to enhance the return from, and value of, the Argyle Centre. IEC will benefit from its prime location next to the Hong Kong International Airport.

We understand that Yu Ming will continue to invest in international debt securities and adopt a cautious approach to the Hong Kong equity market.

### FINANCIAL RESOURCES AND GEARING RATIO

The Group consistently maintained a strong financial position.

During the year, the Company issued 4% loan notes in the amount of HK\$255.2 million due to mature on 7 March 2008. Of the principal amount, HK\$23.6 million was repurchased during the year.

As at 31 December 2003, the nett assets of the Group amounted to HK\$4,492 million which was similar to the level recorded as at 31 December 2002. The Group's short-term bank deposits, bank balances and cash amounted to HK\$566.9 million (at 31 December 2002: HK\$328.7 million). The Group's total bank borrowings together with the 4% loan notes mentioned above amounted to HK\$551.3 million (at 31 December 2002: HK\$42 million) in total with HK\$289.4 million (at 31 December 2002: HK\$5.8 million) repayable within one year and HK\$261.9 million (at 31 December 2002: HK\$36.2 million) repayable beyond one year.

於二零零三年八月，禹銘聯同一個私人財團（合營企業），隨同香港政府及機場管理局投資發展及經營位於香港國際機場的香港國際展貿中心（國際展貿中心），預期將於二零零五年年底作試點開幕。截至二零零三年十二月三十一日止，禹銘擁有合營企業 37.85% 的權益，而直至二零零四年八月二十三日止亦有權按成本增加其權益至 60%，該合營企業則擁有國際展貿中心 13.5% 權益。

禹銘對旺角中心及國際展貿中心的前景十分樂觀。隨著本港零售業好轉，加上物業市場復甦，預期有利提升旺角中心的回報及價值。由於國際展貿中心毗鄰香港國際機場，此優越位置將令其受惠。

據集團了解，禹銘將繼續投資環球債券及對香港股票市場採取審慎的策略。

### 財政資源及資本與負債比率

集團繼續維持強勁之財政狀況。

年內，本公司發行了為數達 255.2 百萬港元於二零零八年三月七日到期之 4% 貸款票據。在本金中，其中 23.6 百萬港元於年內被回購。

於二零零三年十二月三十一日，集團之淨資產為 4,492 百萬港元，與二零零二年十二月三十一日錄得之水平相若。集團之短期存款、銀行結存及現金合共為 566.9 百萬港元（於二零零二年十二月三十一日：328.7 百萬港元）。集團的總銀行借款連同上述 4% 貸款票據合共為 551.3 百萬港元（於二零零二年十二月三十一日：42 百萬港元），須於一年內償還之款項為 289.4 百萬港元（於二零零二年十二月三十一日：5.8 百萬港元），而須於一年後償還之款項為 261.9 百萬港元（於二零零二年十二月三十一日：36.2 百萬港元）。

The liquidity of the Group remained healthy as demonstrated by the current ratio (current assets/current liabilities) of 1.92 times as at 31 December 2003 (at 31 December 2002: 3.49 times).

The Group continued to maintain a low gearing ratio, calculated on the basis of the Group's total bank borrowings and loan notes over the Group's shareholders' funds, at 12.3% at the year end (at 31 December 2002: 0.9%).

### CAPITAL STRUCTURE, BANK BORROWINGS AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The issued share capital of the Company decreased from HK\$300.8 million to HK\$249.1 million during the year as a result of the repurchase of 255,234,309 shares pursuant to a general offer (the Repurchase) and the repurchase of 3,286,000 shares in the stock market as shown in note 26 to the accounts on page 91.

Other than the mortgage loans as shown in note 30 to the accounts and the 4% loan notes issued for the term of 5 years as part of the consideration for the Repurchase, the Group's bank borrowings were on a short-term basis and over 90% in HK dollars. They are charged at floating interest rates. There are no known seasonal factors in our borrowing profiles.

The fluctuation in exchange rates and market prices do not impose a significant risk to the Group as its level of foreign currency exposure is relatively immaterial.

於二零零三年十二月三十一日，集團之流動資產比率(流動資產相對流動負債)為1.92倍(於二零零二年十二月三十一日：3.49倍)，顯示集團之流動資金依然穩健。

集團繼續維持一個低的資產與負債比率，按集團之總借款及貸款票據相對集團之股東資金計算，該比率於年底為12.3%(於二零零二年十二月三十一日：0.9%)。

### 資本結構、銀行貸款及匯兌率浮動風險

由於根據一項全面收購建議回購255,234,309股股份(回購)以及在股票市場上回購3,286,000股股份(載列於第91頁賬目附註26)，本公司之已發行股本由300.8百萬港元減至249.1百萬港元。

除了在賬目附註30所載的按揭貸款及作為回購之部份作價之4%五年期已發行貸款票據外，集團所有銀行貸款均為短期貸款及超過90%屬港元貸款。利息以浮動利率計算。集團之銀行借款並不受季節性因素影響。

外匯兌換率及市場價格之浮動對集團並不會造成重大風險，其外匯風險相對來說不大。



# Management Discussion and Analysis

## 管理層討論及分析

### MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

As detailed in the 2002 Annual Report, in December 2002, the Group entered into a conditional sale and purchase agreement with an indirect subsidiary of Allied Group Limited, the Company's ultimate holding company, to sell its entire 50% shareholding in Earnest Finance Limited, the holding company of SHK Finance Limited, together with the assignments of advances, for an aggregate consideration of HK\$87.5 million. The agreement was completed on 24 January 2003 and resulted in a loss of HK\$5.5 million. The reason for the disposal was the rationalization of the joint venture's consumer finance division.

As detailed in the announcement of the Group dated 25 June 2003 and in its 2003 Interim Report, on 25 June 2003 the Group acquired all the shares in Shun Loong Holdings Limited which provides a full range of traditional and online brokerage services through its subsidiaries.

Apart from the above, there has been no material acquisition or disposal of subsidiaries, associated companies or jointly controlled entities by the Group in the year of 2003.

### SEGMENT INFORMATION

Detailed segment information in respect of the Group's turnover, contributions to profit or loss from operations, segment assets and liabilities are shown in note 2 to the accounts on page 64.

### CHARGES ON GROUP ASSETS

Listed shares with an aggregate value of HK\$144.1 million were pledged by subsidiaries for bank loans and overdrafts. Leasehold properties of the Group with a total book value of HK\$95.3 million were pledged by subsidiaries to banks for mortgage loans and overdrafts granted to them with a total outstanding balance of HK\$72.7 million as at 31 December 2003.

### 附屬公司、聯營及共同控制公司的重大收購與出售

如在一九九九年報中所述，於二零零二年十二月，集團與本公司之最終控股公司聯合集團有限公司之一間間接附屬公司訂立一項有條件買賣協議，以出售新鴻基財務有限公司之控股公司 Earnest Finance Limited 之全部50%股權（連同轉讓曾給予該公司之墊款），總代價為87.5百萬港元。該協議於二零零三年一月二十四日完成，而所導致之虧損為5.5百萬港元。上述股權出售乃由於該合營公司的私人貸款業務重組所致。

如集團於二零零三年六月二十五日之公布及二零零三年中期報告中所述，於二零零三年六月二十五日，集團收購了順隆集團有限公司之全部股份。該公司透過其附屬公司提供全面的傳統及網上經紀服務。

除上述外，集團於二零零三年並無任何附屬及聯營公司或共同控制公司的重大收購或出售。

### 分項資料

有關集團營業額、經營溢利或虧損之貢獻、分項資產及負債之分項資料詳情，請參閱第64頁賬目附註2。

### 集團資產押記

集團的附屬公司將其持有總值144.1百萬港元的上市公司股份抵押予銀行，以換取銀行貸款及透支。集團的附屬公司亦將其賬面總值95.3百萬港元之集團物業抵押予銀行，作為給予集團按揭貸款及透支之抵押，該貸款於二零零三年十二月三十一日之未償還結餘為72.7百萬港元。

## CONTINGENT LIABILITIES

Details regarding the contingent liabilities are set out in note 34 to the accounts on page 103.

## TAXATION

Details regarding the Group's taxation are set out in note 11 to the accounts on page 73.

The Group's taxation charge in 2003 increased by 14% to HK\$57.9 million (2002: HK\$50.8 million), primarily due to increase in nett assessable profit and HK Profits Tax rate from 16% to 17.5% for the fiscal year 2003/2004, and increase in the share of taxation from associated companies during the year, which in turn was mainly a result of the higher profits of Tian An China Investments Company Limited in China and the higher tax rates there.

## REGULATORY ENVIRONMENT

On 1 April 2003, the long-awaited implementation of the new Securities and Futures Ordinance and its subsidiary legislation came into effect. The Group's planned approach involving modification of the relevant computer systems, amendment and distribution of client-related documents, updating of the operational procedures and provision of intensive training programs assisted in meeting the challenge of the new regulatory framework.

The regulatory environment in 2004 appears likely to introduce a range of changes. The Securities and Futures Commission has recently proposed various measures to address the risks involved in securities margin financing and the pooling and re-pledging of client collateral by securities margin financing providers. Other regulatory proposals include guidelines on disclosure of fees and charges for securities services, increased regulation of listing sponsors and financial advisors, and new measures to prevent conflict of interests of securities analysts. Additional challenges are presented by major amendments to the Listing Rules and the new Code on Corporate Governance Practices which all seek to enhance corporate governance, transparency and market quality.

## 或然負債

集團的或然負債詳情，請參閱第103頁賬目附註34。

## 稅項

集團稅項詳情載於第73頁賬目附註11。

集團於二零零三年之稅項支出增加14%至57.9百萬港元(二零零二年：50.8百萬港元)，主要原因是年內淨應課稅溢利增加及二零零三／二零零四年財政年度的香港利得稅率由16%增加至17.5%，以及天安中國投資有限公司於中國之溢利增加，而當地之稅率較高，以致年內應佔聯營公司稅項增加。

## 監察環境

於二零零三年四月一日，期待已久的新證券及期貨條例與其附屬條例開始實施。集團計劃進行的各種新措施包括修改有關電腦系統、修改及分發與客戶有關的文件、更新作業程序及提供密集式訓練課程等，均有助集團迎接新監察架構的挑戰。

二零零四年的監察環境似乎很可能會引入一系列的變動措施。證券及期貨事務監察委員會最近建議不同措施，針對證券保證金融資及證券保證金融資提供者將客戶的抵押品匯集和轉按所涉及的風險。其他監察建議包括披露證券服務的費用及收費的指引、加強對上市保薦人及財務顧問的監察，及防止證券分析員涉及利益衝突的新措施。上市規則及新的企業管治常規守則所提出的主要修訂均旨在提升企業管治、公司透明度及市場質素，這些修訂亦會帶來更多新挑戰。

# Management Discussion and Analysis

## 管理層討論及分析

We remain committed to full compliance with all legal and regulatory requirements in order to properly protect and safeguard clients' assets and to secure the interests of our shareholders.

### MANAGEMENT OF RISKS

#### Policies and Procedures

The Group has established policies and procedures for risk management which are reviewed regularly by the management and various Group committees, including the Credit & Risks Management Committee (the CRM), which reports to the Executive Committee of the Board of Directors, to ensure the proper monitoring and control of all major risks arising from the Group's activities at all times. The Group's Internal Audit and Compliance department (which reports independently to the non-executive Chairman and the Audit Committee, as well as to the Deputy Group Chief Operating Officer) also performs regular reviews to supplement the various internal control measures adopted by the management and various divisions within the Group, to ensure compliance with policies and procedures. These various control procedures are also examined and separately reported upon at least annually to the Audit Committee and the Board of Directors by the external auditors.

#### Credit Risk

Credit risk arises from a number of areas. These include the possibility that a counter-party in a transaction may default during the settlement process. It also arises from lending, settlement, treasury, market making, derivatives, proprietary trading, and other activities undertaken by the Group.

The Group's credit manual sets out in detail the credit approval and monitoring procedures, which are established in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by the Securities and Futures Commission.

集團定必繼續遵守一切法律及監管規定，以保障客戶資產及符合股東之最佳利益。

### 風險管理

#### 政策及程序

集團已設立風險管理的政策及程序，並由管理層及多個集團委員會（包括須向董事會執行委員會匯報的信貸及風險管理委員會（信貸風險委員會））定期進行檢討，以確保於任何時候因集團業務而產生之所有主要風險得以受到監控。除管理層及個別部門採取各項內部監控措施外，集團的稽核及法規監核部（一個向非執行主席、審核委員會及集團副營運總監獨立匯報的部門）亦會定期查核，從而確保該等政策及程序得以遵守。此等監控程序亦最少每年由外聘核數師審察及分別向審核委員會及董事會報告。

#### 信貸風險

導致信貸風險的成因眾多，包括交易對手有可能在交收過程中出現違約，信貸風險亦可能來自放款、交收、庫務、作價買賣、衍生產品及自營買賣，以及其他集團所從事的活動。

集團之信貸政策指引詳列批准信貸及監管程序。該等程序乃按照專業守則、有關條例的規定以及證券及期貨事務監察委員會發出之有關守則或指引而訂定。

Day-to-day credit management is performed by the Credit department with reference to the aforementioned criteria including creditworthiness, collateral pledged, and risk concentration of the counter-parties. Decisions made by the Credit department are reviewed daily by the executive directors and senior management of the Group and by the CRM at its regular meetings.

### Liquidity Risk

The Group manages its liquidity position to ensure the Group maintains a prudent and adequate liquidity ratio, in strict accordance with statutory requirements. This is achieved by the management, comprising the executive directors, the Chief Financial Officer and relevant senior managers monitoring the liquidity position of the Group on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations and compliance with the statutory requirements such as the Financial Resources Rules applying to various registered subsidiaries. The monitoring process and its results are reported to the CRM, the Audit Committee and the Board of Directors at their regular meetings.

### Capital Risk

The Group maintains a strong capital base to support the development of its businesses and to comply, where necessary, with at least the minimum statutory ratios.

Capital is allocated to the various activities of the Group depending on requirements and the degree of risk appropriate to various activities. Cost of capital, as determined from time to time, is allocated against its users.

### Interest Rate Risk

Interest rate risk primarily results from timing differences in the re-pricing of interest bearing assets, liabilities and commitments. The Group's interest rate risk exposure arises mainly from margin financing and other lending activities undertaken. The Group has the legal capacity to quickly recall such loans or re-price its margin loans to an appropriate level. Its interest-

日常信貸管理由信貸部負責。信貸部會就對方之信譽、抵押品及風險分佈作出批核。並由集團之執行董事及高級管理層每日審閱，而信貸風險委員會亦於定期例會中作出檢討。

### 流動資金風險

集團監管其流動資金狀況，確保有審慎而充裕的流動資金比率，以遵守有關之法定要求。管理層包括執行董事、財務總監及有關高層管理人員每日均監察集團的流動資金狀況，以符合法定要求（如適用於集團多間持牌附屬公司的財務資源條例），而有關監管程序及結果亦於定期會議中向信貸風險委員會、審核委員會及董事會匯報。

### 資本風險

集團維持穩固之資本基礎，以支持其業務發展及遵從所須至少之最低法定比率要求。

資金乃按集團各業務不同之需求及所承擔之風險分配至集團各業務範圍。資金成本（隨時間而定）由其用者各自承擔。

### 利率風險

利率風險主要由就附有利息之資產、負債及承擔重新定價之時差所引致。集團的利率風險主要來自證券放款及其他貸款業務。集團可法定要求借款人即時償還貸款，或重訂證券放款之息率至適當水平。集團亦可容易地確定其在提

# Management Discussion and Analysis

## 管理層討論及分析

sensitive positions can readily be identified. Interest rates paid by the Group are managed by the Finance department with the aim of maximizing the spread of interest consistent with liquidity and funding obligations.

### Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from movements of foreign exchange rates.

The Group's foreign exchange risk primarily arises from currency exposures originating from its leveraged foreign exchange business or purchases of foreign securities on behalf of clients. Foreign exchange risk is managed and monitored by the relevant department under the limits approved by the Group's Board or Executive Committee. In relation to our leveraged foreign exchange activity, our position is that of a market-maker, and accordingly our risk is our open currency positions which are subject to management approved limits and are monitored and reported daily. The other possible risk is primarily a derivative foreign exchange risk for a client who does not or cannot meet margin calls following any period of substantial currency turbulence. Our principal lending operations are carried out in local currency to obviate foreign exchange risk. Accordingly, the Group has no significant exposure to foreign exchange fluctuations on loan assets.

### Market Risk

Market risk limits are approved by the Group's various Committees and, in some cases, by the Board of Directors. Actual positions are compared with approved limits and monitored regularly by the relevant divisional head, the Credit department and by the senior management of the Group. Exposures are measured and monitored on a "mark-to-market" basis with stop-loss limits. Market risk trading positions are subject to daily mark-to-market valuation, which is also reported daily to the senior management for their review. The Group's Internal Audit and Compliance department also performs regular audits to supplement the above controls to ensure compliance with the established market risk limits and guidelines.

供貸款時所承受之利率風險水平。集團所支付之利息乃由財務部管理，以盡量令息差符合資金之流動性及需求。

### 外匯風險

外匯風險乃外幣匯率變動對盈利或資本造成之風險。

集團之外匯風險主要來自其槓桿外匯或代客購買海外證券之業務。外匯風險由有關部門按集團董事會或執行委員會所批准的限額作出管理及監察。就槓桿外匯業務而言，由於集團乃擔任莊家之位置，因此，外幣未平倉合約（須受由管理層審批的限額限制，並須每日受其監控及向其匯報）會存在外匯風險。另外，倘客戶在經歷重大匯率波動後未能或無法填補保證金額，亦可能對集團造成衍生外匯風險。集團主要的貸款業務仍以本地貨幣進行，以減低外匯風險，故此，集團的貸款資產並無承受重大的外匯風險。

### 市場風險

市場風險的限額由集團多個委員會或按情況由董事會審批。有關部門主管、信貸部及高級管理層均會定時監察，並將實際的狀況與審批的限額作出比較，同時亦會就市場價格按止蝕水平計算及控制風險。涉及市場風險之買賣活動均按每日市場價格而進行估值，並每日向高級管理層匯報審閱結果。集團的稽核及法規監核部亦會作出定期審核，以補充上述監控，確保遵從集團既訂的市場風險限額及指引。

## Calamity Risk

In common with all companies and particularly financial services groups, the Group is exposed to the potential impact of natural and man-made disasters. In our case, being heavily dependent on information technology and its associated infrastructure requirements, we need to be particularly vigilant in this regard, especially with the prevalence worldwide of "hacking", and "virus-attacks".

In the aftermath of the various disasters impacting on the insurance industry during the past years, appropriate insurance cover has been more difficult and more expensive than normal to obtain. However, working with our Insurance Broking division, we have managed to obtain what we believe is adequate cover for the potential risks of this type to which we may be exposed.

In the case of our IT infrastructure, we also maintain stringent security procedures, as well as off-site back-up and recovery programs which we continually review and refine.

## Reputational Risk

A key factor for businesses in the financial services sector is their reputation for financial probity and prudence. Recent examples of "rogue traders" impacting on such reputations elsewhere in the world have drawn attention to such risks. In our case, with our important and valuable "brand", we manage these risks through our strong internal controls and risk management regime, by comprehensive employee and operational manuals in key areas, and by the strength and independence of our Internal Audit and Compliance department.

## 災難風險

一如其他公司，特別是金融服務機構，集團受自然或人為災難所影響。由於業務性質關係，集團十分依賴資訊科技及其相關基建條件，集團需要對這方面提高警覺，特別是盛行的全球性「黑客」及「病毒」入侵。

過去幾年保險業受各種災難影響，投保較以前困難及昂貴。然而，透過與保險經紀部的合作，集團已取得其認為足夠之保額，以保障所有同類型之可能性風險。

資訊科技基建方面，集團亦維持嚴謹保安程序，並不斷檢討及改善離站式備份裝置及有關還原程式。

## 商譽風險

誠實及審慎之商譽對金融服務業來說是一重要因素。最近於世界各地出現之詐騙案，使行內行外開始關注這方面之風險。「品牌」對我們來說實屬非常重要及珍貴，而藉著嚴謹之內部監控及風險管理，如在主要業務上推行全面之員工及營運守則，加上集團稽核及法規監核部之效能與獨立運作，致使我們成功管理這些風險。