

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30th September 2004 (2003: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the past six months ended 30th September 2004, we are pleased to report that the Group achieved a net profit of approximately HK\$15 million, representing a 22% increase from the corresponding period of 2003.

The downward trend of market activity in 2004 is primarily due to the negative market sentiment of concerns over high oil prices, slow economy recovery in the United States and possibility of any additional macro-economic measures by the PRC government. During the period under review, the average daily turnover on the Stock Exchange fell by 11 per cent or from HK\$13.8 billion in the second quarter to HK\$12.3 billion in the third quarter of 2004. This can also be seen by the decline of the daily average market turnover from a level exceeding HK\$23 billion in January 2004 to less than HK\$15 billion in September 2004. In line with the market trend, the Group's turnover record a decrease of approximately 14% when compare with the corresponding period of 2003.

The Group's four major core businesses are financing activities, securities brokerage, asset management and corporate finance. Financing activities contributed approximately HK\$19 million to the Group's turnover, which exceeded 67% of the total turnover.

Financing Activities

Notwithstanding the reduced market activity for the period under review, the Group was able to maintain a similar level of turnover and net profit. Pursuing to the implementation of advance risk management control, the Group was able to reduce the provision for doubtful debts from HK\$8.1 million to HK\$409,000, representing a decline of 95% when compared with the corresponding period of 2003.

Securities Brokerage

Activity on the stock market experienced considerable volatility during the six-month period under review. The macro-economic measures, high oil prices and the interest rate rise in the United States caused trading to decrease in the second quarter of 2004. As a result, there was substantial decrease in the total market turnover from HK\$443 billion in January 2004 to HK\$307 billion in September 2004. The Group's performance from this sector is in tandem with the market and hence the profit contribution fell by 12% when compared with the corresponding period of 2003.

Asset Management

The Group was the investment manager of two companies listed on the main board of the Stock Exchange under Chapter 21 (Investment Companies) of the Listing Rules, and four other institutional clients. The total asset value under our management exceeded HK\$837 million.

Corporate Finance

Instability in the Middle East and the cooling down measure adopted by the Chinese central government not only result in the ease down of securities cash market activities but also capital-raising and corporate activities. Turnover of this sector decreased approximately 88% when compare with the corresponding period of 2003 due to the negative response towards such events.

FUTURE PROSPECTS

With the recovery of the consumer market, the improvement of the labor market conditions, and the end of the past five and a half years of steadily falling prices initiated by the collapse of the property market in 1997. The fact that the Consumer Price Index has steadily increased since July 2004 indicates that Hong Kong's period of deflation since 1998 is over.

However, the escalating oil price and fear of interest rate hikes in the United States were perceived as potential threats to the global economy. In addition, the macroeconomic measures imposed by the Mainland authorities to adjust the overheated economy in China also create uncertainties to the market. These factors may affect the investment sentiment towards the economy condition.

On the other hand, Hong Kong will still be one of the major fund raising platforms for PRC enterprises intending to look for foreign investments. This is primarily attributable to the fact that HK is benefiting from various favorable policies implemented by the Chinese Central Government such as the CEPA, the Pan-Pearl River Delta Agreement, the relaxation of travel restrictions for Mainland visitors, and the Hong Kong Government's attitude towards the land policies and the well-established legislation and financial system. The effects of these policies can be observed by the rebound of property market since October 2004 and the market activity has started to pick up the momentum.

Despite these external uncertainties and the keen competition among the industrial counterparts and other local banks, the securities brokerage and financing businesses are able to benefit from the expected increase in market turnover. The Group is cautiously optimistic regarding the market for the coming year.