



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the period under review, the Group's turnover slightly increased by 5.2% to approximately HK\$30.9 million, while the net profit increased by 8.4% to approximately HK\$12.1 million compared to the result a year ago.

For the six-month period ended 30th September, 2004, the stock market performance was sluggish compared to the previous six-month period ended 31st March, 2004 but was better than the same period last year when the Sars outbreak significantly affected the economy of Hong Kong. The average daily trading volume in the stock market during the six-month ended 30th September, 2004 soared to approximately HK\$13.1 billion, representing an increase of 30% compared to the same period in 2003. The benchmark Hang Seng Index jumped to 13,120 as at 30th September, 2004, compared to 11,230 on the same date in 2003.

However, the Group's commission and fee income from brokerage segment slightly dropped by 7% to approximately HK\$15.4 million this period, mainly because the Group's clients have slowed down their trading activities during the period under review.

On the other hand, due to the increase in average outstanding securities margin loans during the period, interest income from securities margin financing has increased by 38.6% to approximately HK\$14.0 million, contributing a segmental profit of approximately HK\$10.2 million.



### **Financial Review**

The financial structure of the Group has no significant changes over the period under review. As at 30th September, 2004, the Group's net current assets was amounted to approximately HK\$252.0 million, slightly decreased by 0.6% compared to the net assets at 31st March, 2004. The Group's outstanding borrowings, comprising bank overdrafts and bank loans repayable within one year, has significantly decreased from approximately HK\$203.0 million at 31st March, 2004 to approximately HK\$37.3 million this period, mainly attributable to the decrease in securities margin loans as at 30th September, 2004. The bank borrowings, being interest bearing on a floating rate basis, were principally procured to finance securities margin loans granted to clients.

The gearing ratio of the Group (total liabilities over total shareholders' funds) has significantly reduced to 0.54 times as at 30th September, 2003, compared to 1 time at 31st March, 2004.

The business activities of the Group had not exposed to material fluctuation in exchange rates as majority of the transactions are denominated in Hong Kong dollars.

As at 30th September, 2004, the Group had available banking facilities amounting to HK\$556.3 million, of which HK\$37.3 million was utilized. The banking facilities were secured by client's pledged securities and corporate guarantees provided by the Company.

As at 30th September, 2004, the Group had no material contingent liabilities and no material capital commitment.

### **Staff**

As at 30th September, 2004, the Group had a total of 30 employees and 58 account executives, 11 of whom were also employed as full time employee of the Group. The Group remunerated employees based on the industry practice and individual's performance.