



Tai Fook knows how to help its customers capture valuable returns in the financial markets.

## VALUABLE RETURNS

in a growth market

# Financial Review

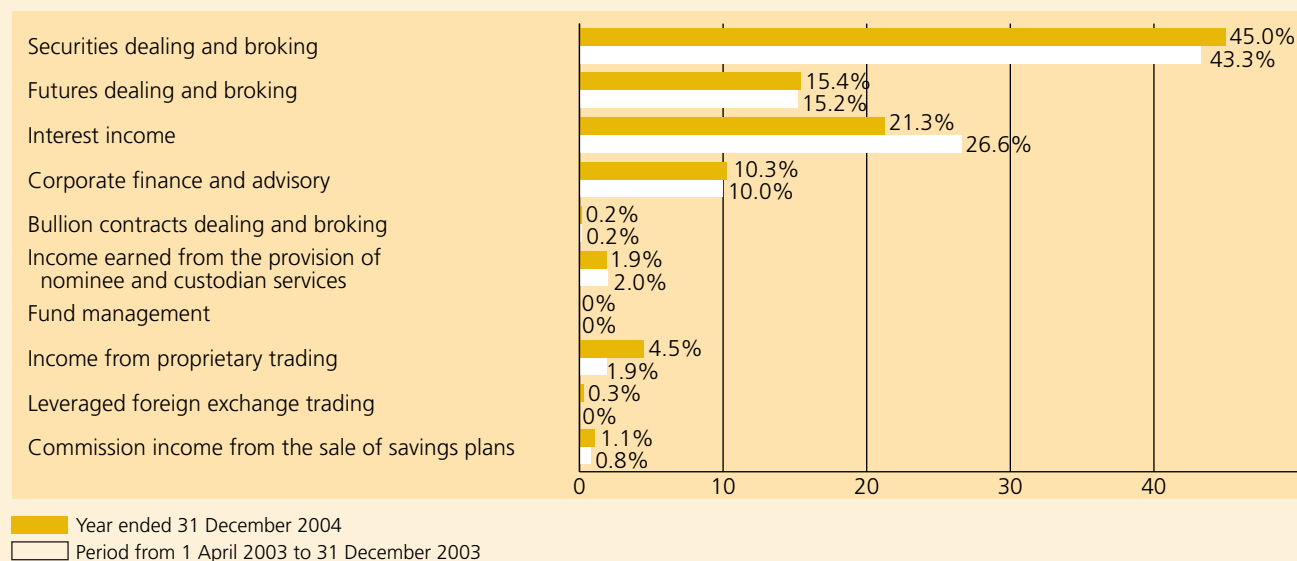
## Financial Performance

### Turnover

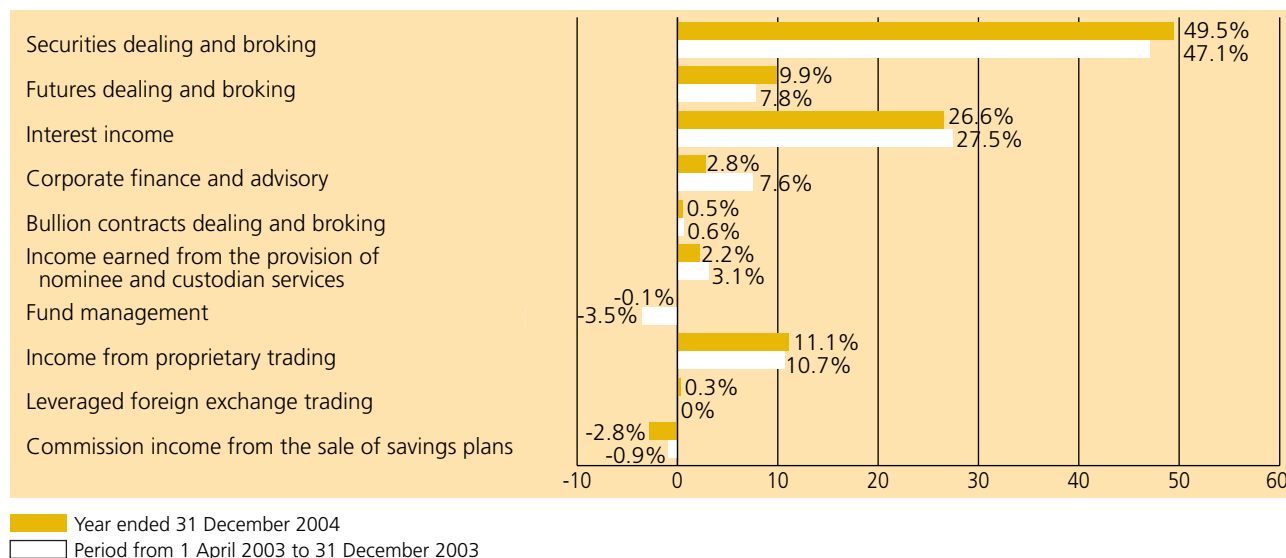
Turnover of the Group for the year ended 31 December 2004 was HK\$356.8 million (nine months ended 31 December 2003: HK\$245.3 million). A summary of the turnover from different operations of the Group is set out below:–

	<b>Year ended 31 December 2004 HK\$'000</b>	Period from 1 April 2003 to 31 December 2003 HK\$'000
Securities dealing and broking	<b>160,594</b>	106,295
Futures dealing and broking	<b>54,982</b>	37,259
Interest income	<b>76,085</b>	65,162
Corporate finance and advisory	<b>36,792</b>	24,629
Bullion contracts dealing and broking	<b>824</b>	470
Income earned from the provision of nominee and custodian services	<b>6,760</b>	4,786
Fund management	<b>4</b>	29
Income from proprietary trading	<b>16,107</b>	4,672
Income from leveraged foreign exchange trading	<b>938</b>	–
Commission income from the sale of savings plans	<b>3,690</b>	1,956
	<b>356,776</b>	245,258

### Turnover Breakdown



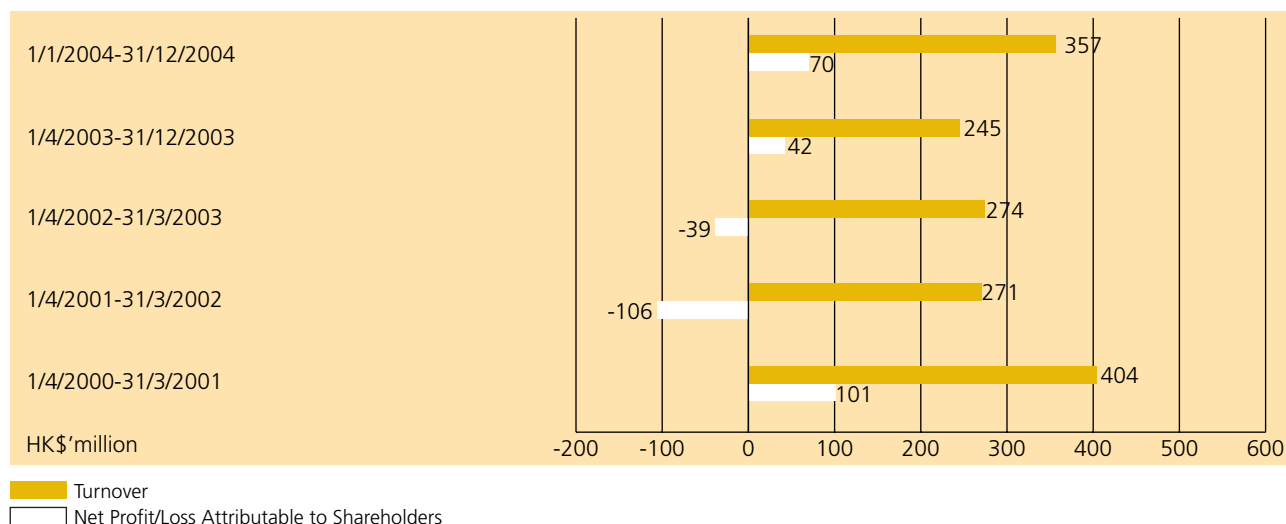
**Operating Profit/(Loss) Breakdown**



**Net Profit/(Loss) Attributable to Shareholders**

Net profit attributable to shareholders for the year ended 31 December 2004 was HK\$70.3 million, compared with a net profit of HK\$41.6 million for the nine months ended 31 December 2003.

**Turnover and Net Profit/(Loss) Attributable to Shareholders**



**Treasury Policies**

The Group generally finances its operations with internally generated cash flow, bank borrowings and unsecured term loans from other third parties. Majority of the Group's bank borrowings are renewable on a yearly basis and are subject to floating interest rates.

It is the policy of the Group to maintain adequate liquidity at all times to meet its obligations and commitments as and when they fall due. The Group's financial risk management strategies include obtaining substantial standby banking facilities, diversifying the funding sources, spacing out the maturity dates to reduce interest volatility exposure and reviewing capital adequacy ratio from time to time.

The Group's principal operations are transacted and recorded in Hong Kong dollars and the level of foreign currency exposure on non-Hong Kong dollar assets and liabilities is relatively immaterial as compared with its total asset value or outstanding liabilities. Hence, the Group considers that it has no significant exposure to foreign exchange fluctuations.

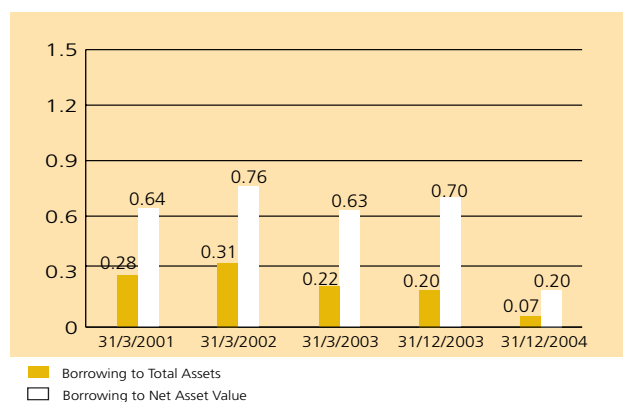
### Liquidity and Financial Resources

The financial position of the Group remained sound and healthy in this financial year. At 31 December 2004, the Group's cash balance totalled HK\$258.1 million, up from HK\$139.0 million as at the beginning of the year. Cash held on behalf of customers maintained at HK\$1,266.1 million, compared with HK\$1,224.9 million as at 31 December 2003. The strong liquidity of the Group is manifested in the current ratio (current assets/current liabilities), of 1.46 times, which showed significant improvement over last year's 1.33 times.

As at 31 December 2004, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 20% (2003: 70%). All borrowings are of short-term maturities at floating interest rates, which are mainly used to finance our margin financing business. Bank and other borrowings totalled HK\$194.3 million, against total advances of HK\$789.1 million, as at the end of December 2004. The ratio of interest income to interest expense improved to 10.37 times from 6.51 times for the last year.

Our operating cash flow remains adequate for financing our recurrent working capital requirements. Besides, the Group has unutilised banking facilities of HK\$1.24 billion, while our capital commitments are minimal. The Group's assets and liabilities are substantially denominated in Hong Kong dollars, so our foreign exchange exposure is immaterial. Except for the guarantees provided to the banks for securing normal banking facilities for our subsidiaries, the Company has no other significant contingent liabilities.

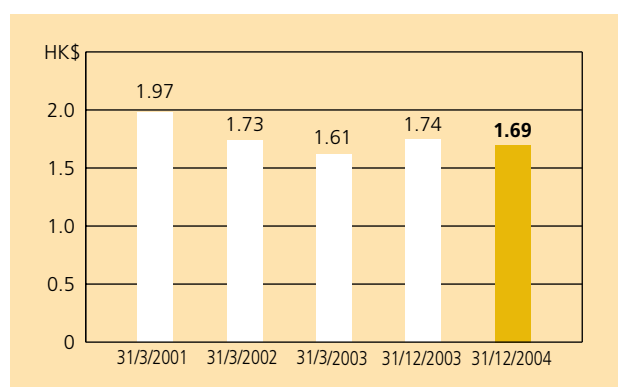
#### Gearing Ratio



### Capital Structure

During the year, the Company made share repurchases of a total of 5,398,000 shares of the Company on The Stock Exchange of Hong Kong Limited to enhance the net asset value of the Company. The capital base of the Group was further enhanced by the share placement in March 2004, with 85 million subscription shares issued and the net proceeds from the subscription was HK\$103.6 million. Boosted by the positive operating results and the aforementioned share placement, shareholders' funds increased by HK\$164.5 million, or 20%, to HK\$987.0 million, or HK\$1.69 per share. As at 31 December 2004, the total issued share capital of the Company stood at HK\$58.5 million, comprising 585,253,699 shares of HK\$0.10 each.

#### Net Asset Value Per Share



### Material Acquisition and Disposal of Subsidiaries and Associated Companies

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 December 2004, which excluded commissions paid to commission-based staff, amounted to HK\$105.1 million (2003: HK\$79.2 million). The increase was due to the comparative figures for 2003 only covered nine months from 1 April 2003 to 31 December 2003. As at 31 December 2004, the Group employed a total of 417 (2003: 415) permanent staff of which 108 (2003: 110) were commission-based staff.