

BUSINESS REVIEW AND PROSPECTS

During the year, the Group leveraged its expertise and track record and continued to principally engage in the provision of financial services including money lending, investment trading and holding, broking, securities margin financing, corporate finance and asset management.

Money Lending

During the year, interest income from money lending represented 12% (2003: 5%) of the Group's turnover. The Group recorded a loss due to the prudent approach towards provision concerning money lending business. The Group will continue to adopt a prudent approach to monitor and control our Group's risk exposure.

Investment Trading and Holding

Turnover reached HK\$92,000,000, accounting for 54% of the Group's turnover. We will continue to invest in this area with a view to ensuring it becoming one of our major lines of businesses.

Asset Management and Advisory Fee Income

Hong Kong is a major asset management centre in Asia. In 2003, total assets of fund management business in Hong Kong amounted to HK\$2,950 billion, of which HK\$1,860 billion were sourced from overseas investors and accounted for 63% of the total. More institutional investors and individual investors recognize the comprehensive array of asset management products and services can help them uncover value-adding investment opportunities and optimize their financial returns. The Group leverages the wisdom of experienced funds managers to provide an array of portfolio management solutions. As such, the turnover of this segment increased 323% from HK\$531,000 (2003) to HK\$2,248,000.

業務回顧與展望

於本年度，本集團憑藉其專業知識及良好往績，將業務繼續集中於提供各項金融服務，包括貸款、投資買賣及控股、經紀服務、證券孖展融資、企業融資及資產管理服務。

貸款業務

過去一年，貸款業務之利息收入佔本集團營業額12%（二零零三年：5%）。本集團採取審慎的會計處理，對該項業務進行呆賬撥備，故本集團錄得虧損。本集團將繼續採取審慎保守的政策，致力監察及控制本集團之風險水平。

投資買賣及控股業務

此項業務的營業額達92,000,000港元，佔本集團營業額的54%。為確保其繼續成為本集團其中一項核心業務，本集團將繼續投資於該方面。

資產管理及顧問費收入

香港乃亞洲之主要資產管理中心。二零零三年，香港基金管理業務所涉及的資產總值約為29,500億港元，其中海外投資者的資金佔63%，達18,600億港元。機構投資者及獨立投資者紛紛認識到多元化的資產管理產品及服務，可為他們開拓更多潛質優厚的投資良機及提高投資回報。本集團憑藉經驗豐富的基金經理提供各項管理投資組合方案，故該項業務的營業額由531,000港元（二零零三年）增加323%至2,248,000港元。

Management Discussion and Analysis (continued) 管理層討論及分析 (續)

Broking

Between July and September 2004, turnover on the Hong Kong stock market decreased despite the rise of the Hang Seng, H-share and red chip indices. The average daily turnover on the Main Board dropped 11%, from the previous quarter to HK\$12.2 billion. The average daily turnover of Hang Seng Index ("HSI") constituent stocks fell 13% to HK\$5.2 billion, representing 42% of total turnover. The average daily turnover of H-shares dropped 16% to HK\$3 billion while turnover of red chips fell 18% to HK\$1.8 billion. The average daily turnover on the GEM was HK\$48,000,000, a 31% decrease from the previous quarter. IPO activity also diminished between July and September 2004.

Despite these figures, improving economic conditions bolstered investment confidence in the local market between October and December 2004. In addition, the unemployment rate decreased to 6.7% for the three months ended November 2004, while deflation was deemed to have officially ended in October. These factors, supported by the continued recovery of the property market and strong land sales, further boosted market sentiment. Trading was very active between October and December 2004. The HSI advanced 8.5% to 14,320 on 31 December 2004, while the H-share and red chip indices also rose 2% and 8.9% respectively. IPO activity also increased.

Against the backdrop of favorable market sentiment in the Hong Kong stock market, the Group's commission income increased 11% from HK\$29,400,000 (2003) to HK\$32,500,000, representing 19% of Group's turnover, and interest income from margin clients increased 101%, accounting for 13% of Group's turnover.

經紀業務

於二零零四年七月至九月期間，儘管本港股市的成交額下跌，然而恆生指數、H股及紅籌指數均告上揚。主板平均每日成交額較上季下跌11%至122億港元；而恆生指數成份股平均每日成交額下跌13%至52億港元，佔整體成交額的42%；H股平均每日成交額亦下跌了16%至30億港元；紅籌平均每日成交額則下跌18%至18億港元；創業板之平均每日成交額亦告下降至48,000,000港元，較上季下跌了31%。首次公開招股活動於二零零四年七月至九月期間亦告減少。

儘管如此，二零零四年十月至十二月期間，經濟環境持續改善，為本港市場的投資信心帶來支持。再者，截至二零零四年十一月止三個月的失業率下降至6.7%，通縮亦已在十月正式結束。樓市持續復甦及理想的賣地成績亦進一步帶動市場氣氛。二零零四年十月至十二月期間的股票成交非常活躍。二零零四年十二月三十一日，恆生指數上升8.5%至14,320點，而H股及紅籌指數均分別上升2%及8.9%。首次公開招股活動亦頻繁起來。

香港股票市場氣氛昌旺，令集團的佣金收入上升了11%，由29,400,000港元（二零零三年）升至32,500,000港元，佔本集團營業額19%，來自證券孖展客戶的利息收入則上升了101%，佔集團營業額13%。

Looking Ahead

Since last year, Hong Kong's economy has been staging a broader-based recovery. With the continued economic development of the Mainland and the closer economic ties with Hong Kong, our economy is expected to maintain steady growth over the next four years. With deflation now a thing of the past, the trend growth rate of nominal GDP from 2006 through 2009 is forecast at 5.5%.

The Group is optimistic that Hong Kong's economy will maintain solid growth. In particular, Hong Kong ranked first in Asia and third in the world last year in terms of capital raised, with total IPO and post-IPO equity funds reaching some HK\$265 billion, out-performing the London and Tokyo stock exchanges. This demonstrates that Hong Kong has further consolidated its position as the premier international capital-raising center for the Mainland. The Group will continue to play a strong role in providing services to other global partners looking to tap the China market and identify new business opportunities. Meanwhile, the Group will explore various ways to enhance its equity base.

FINANCIAL REVIEW

Financial Results

During the year ended 31 December 2004, the Group recorded a turnover of approximately HK\$169,137,000 (2003: HK\$324,693,000), representing a decrease of 48%. Overall turnover declined mainly due to the decrease in contribution from investment trading activities. Turnover of this segment decreased by 65% to HK\$91,955,000 for the year under review in comparison with last year (2003: HK\$266,294,000). However, the decrease was partially offset by the increase in turnover in broking, financing and asset management. Those sectors recorded a turnover of HK\$77,182,000, as compared to HK\$58,399,000 in the previous year.

The loss for the year was HK\$77,674,000 (2003: profit of HK\$4,031,000). The loss per share was 2.59 cents (2003: earnings per share of 0.13 cent). The loss was mainly due to the Group's adoption of prudent accounting treatment in respect of doubtful debts in its securities margin-financing and money lending businesses which resulted in a provision of HK\$95,624,000.

展望未來

自去年以來，香港經濟漸漸全面復甦。隨著內地經濟持續發展，加上中港經濟聯繫更為緊密，未來四年，香港經濟將穩步上揚。通縮已成為過去，二零零六年至二零零九年中長期經濟名義趨勢增長預測為5.5%。

本集團對香港經濟保持穩健增長感到樂觀。去年首次公開招股及上市後的集資總額約為2,650億港元，令香港晉身為亞洲最大及世界第三大的集資中心，超越倫敦及東京交易所，凸顯香港作為國家首要國際集資中心的地位。本集團將積極為其他世界性夥伴提供服務，協助他們開拓中國市場及尋找新商機。與之同時，本集團將研究各種擴大股東基礎的途徑。

財務回顧

財務業績

截至二零零四年十二月三十一日止，本集團錄得營業額169,137,000港元（二零零三年：324,693,000港元），相比去年減少48%。整體營業額下降，歸因於投資買賣活動的營業額減少所致，與去年（二零零三年：266,294,000港元）同期比較，此部份的營業額減少65%至91,955,000港元。惟基於經紀業務、融資業務及資產管理服務的營業額均告上升，錄得營業額77,182,000港元（二零零三年：58,399,000港元），抵消了部份投資買賣活動的營業額之下調。

回顧期內，本集團錄得虧損77,674,000港元（二零零三年：溢利4,031,000港元）。每股虧損為2.59仙（二零零三年：每股溢利為0.13仙）。去年錄得虧損歸因於本集團採取審慎的會計處理，對證券孖展融資及貸款業務進行呆賬撥備達95,624,000港元。

Management Discussion and Analysis (continued) 管理層討論及分析 (續)

Liquidity, Financial Resources and Funding

As at 31 December 2004, the Group had net current assets of HK\$145,384,000 (2003: HK\$223,795,000). The net decrease in net current assets was attributable to the loss reported.

As at 31 December 2004, the Group had cash reserves of approximately HK\$73,928,000 (2003: HK\$89,627,000), which include approximately HK\$65,342,000 (2003: HK\$61,299,000) of client's funds that were kept in designated segregated bank accounts. Most of the cash reserves were placed in Hong Kong dollar short-term deposits with major banks in Hong Kong.

The gearing ratio as at 31 December 2004 was 130% (2003: 54%). The gearing ratio was derived by dividing the aggregate of bank borrowings and other borrowings by the amount of shareholders' equity. The increase in bank borrowings was mainly due to the expansion of financing activities. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 150% (2003: 198%), reflecting the financial resources are in a healthy position.

The Group had outstanding bank overdrafts of approximately HK\$205,678,000 as at 31 December 2004 (2003: HK\$128,057,000). The bank overdrafts were denominated in Hong Kong dollars and interest bearing at prevailing commercial lending rates. Listed investments belonging to clients and the Group were pledged to secure these bank overdrafts. These loans and overdrafts were used to finance the Group's operations. We expect that all these borrowings will be repaid by the internal generated funds.

Taking into account the financial resources available to the Group including internal generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

流動資金、財務資源及融資

於二零零四年十二月三十一日，本集團之流動資產淨值為145,384,000港元（二零零三年：223,795,000港元）。流動資產淨值淨減少乃因錄得虧損所致。

於二零零四年十二月三十一日，本集團約有現金儲備73,928,000港元（二零零三年：89,627,000港元），包括存放在指定獨立銀行賬戶內的客戶資金約65,342,000港元（二零零三年：61,299,000港元）。大部份現金儲備均存放在香港主要銀行作為港元短期存款。

於二零零四年十二月三十一日之負債比率為130%（二零零三年：54%）。負債比率為銀行借款及其他借款的總和除以股東資金總額。銀行借款增加主要因融資活動增加所致。本集團之流動資金比率（流動資產對流動負債之比率）為150%（二零零三年：198%），反映財務資源狀況穩健。

本集團於二零零四年十二月三十一日有未償還之銀行透支約205,678,000港元（二零零三年：128,057,000港元）。銀行透支以港元為單位及以現行商業貸款利率計息。屬於客戶及本集團之上市投資已用作擔保該等銀行透支。該等貸款及透支乃用於撥付本集團之營運所需。本集團預期上述所有借貸將以內部資金償還。

連同本集團可用財務資源（包括內部資金及可用銀行信貸），本集團有足夠營運資金應付現時需要。

Pledge of Assets

At 31 December 2004, listed investments belonging to clients and the Group with total market value of HK\$305,074,000 and HK\$22,859,000 respectively (2003: HK\$405,026,000 and nil respectively) were pledged to banks to secure overdraft and loan facilities granted to two subsidiaries.

Capital Structure

There was no change in the Company's capital structure during the year ended 31 December 2004.

Exchange Rate Risk

The Group is exposed to a very limited level of exchange risk as the business transactions of the Group are mainly denominated in Hong Kong dollars.

Material Acquisition and Disposal of Subsidiaries

On 12 January 2004, the Group entered into a conditional sale and purchase agreement with REXCAPITAL Group Limited regarding the disposal of the entire issued share capital of RFG at a consideration of HK\$229,000,000, subject to adjustment with reference to the unaudited consolidated net asset value of the RFG Group as at the determination date in accordance with the terms of the sale and purchase agreement, and will be payable in cash upon completion. This transaction has not been completed up to the date of the accounts.

Apart from this, the Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2004.

資產抵押

於二零零四年十二月三十一日，本集團將總市值約305,074,000港元（二零零三年：405,026,000港元）屬於客戶及22,859,000港元（二零零三年：無）屬於本集團之上市投資抵押予銀行，作為兩間附屬公司獲授透支及貸款額之擔保。

股本架構

本公司股本架構於截至二零零四年十二月三十一日止年度內並無任何變動。

匯率風險

由於本集團之業務交易主要以港元為單位，故本集團面對之匯兌風險相當有限。

重大收購及出售附屬公司

於二零零四年一月十二日，本集團與REXCAPITAL Group Limited簽訂有條件買賣協議，出售RFG全部已發行股本，代價為229,000,000港元，惟須根據買賣協議之條款根據RFG集團於釐定日期之未經審核綜合資產之淨值而調整，並於完成後以現金支付。至本賬目日期止，此項交易尚未完成。

除此以外，本集團於截至二零零四年十二月三十一日止年度內並無涉及附屬公司之重大收購及出售事項。

Management Discussion and Analysis (continued)

管理層討論及分析 (續)

Human Resources

As at 31 December 2004, the Group had 43 employees.

The Group remunerated its employees mainly based on the individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

The Group will continue to emphasize on staff training and total quality management to better prepare its staff for the upcoming changes and challenges in the market and industry.

人力資源

於二零零四年十二月三十一日，本集團共有43名僱員。

本集團主要按個別員工之表現及經驗釐定僱員薪酬。除基本酬金外，本集團亦會按本集團業績及個別員工表現向合資格僱員發放不定額花紅及購股權。

本集團將繼續重視員工培訓及全面品質管理，使員工能作好充份準備，面對市場及行業未來的轉變及挑戰。