

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group increased its net profit for the first six months ended 30 June 2006 to HK\$7.3 million from HK\$2.7 million for the same period last year and the Group's turnover increased to HK\$78.5 million from HK\$56.3 million as compared to the same period last year.

The improved operating results for the six months ended 30 June 2006 were attributable to the improved operating performance of the securities broking business and margin financing and money lending business.

#### **Securities broking, trading and investment**

Our commission income from securities and commodities broking benefited from the market improvement and increased by 44% to HK\$46.2 million for the first half of 2006 as compared with the same period of last year. The result of securities broking for the six months ended 30 June 2006 was a profit of HK\$9.8 million as compared with a profit of HK\$0.3 million for the same period last year.

Income from securities trading and investment was HK\$5.6 million for the six months ended 30 June 2006 as compared with HK\$4.2 million for the same period last year. There was a fair value loss in financial assets at fair value through profit or loss of HK\$6.2 million which resulted in an overall loss of HK\$2.3 million in this segment for the six months ended 30 June 2006. The Group had financial assets at fair value through profit or loss of HK\$71.4 million and available-for-sale financial assets of HK\$17.5 million in value as at the end of the period.

#### **Margin financing and money lending**

The overall income from the money lending business and margin financing activities increased by 50% to HK\$25.3 million for the six months ended 30 June 2006. The result for this segment was a profit of HK\$4.8 million for the first half of 2006 as compared with a loss of HK\$2.3 million for the same period last year.

#### **Corporate advisory and underwriting**

Revenue from this segment increased by 32% to HK\$5.7 million as compared with the same period of last year. However, with the increase of cost in establishments in Mainland China, the result for the first six months ended 30 June 2006 was a loss of HK\$0.7 million as compared with a loss of HK\$0.8 million for the same period last year.

#### **Property investment and others**

Rental income from the investment property at Lippo Centre decreased by 73% to HK\$0.6 million as compared with the same period of last year due to leases of part of the rentable area expiring in 2005. Subsequently, that area was leased out in June 2006 for a better return.