## INTERIM DIVIDEND

The Directors have declared an interim dividend of HK$1.6 cents per share for the six months ended 30th September, 2006. The interim dividend will be payable on 8th January, 2007 to those shareholders whose names appear on the register of members on 29th December, 2006.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2nd January, 2007 to 4th January, 2007 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Secretaries Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 29th December, 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Business review**

During the period under review, the Group recorded an impressive growth and profit, turnover significantly increased by 34.2% to approximately HK$90.4 million, while the net profit increased by 83.5% to approximately HK$44.2 million compared to the result a year ago.

For the six-month period ended 30th September, 2006, the stock market posted a strong performance in line with the buoyant market conditions. As benefit from the continuous upturn of the overall economy, the Hong Kong securities market traded actively. The listing of Bank of China in June marked the largest ever IPO in the local market and raised HK$86.7 billion. Together with other major China State-owned financial institutions listing on the Hong Kong Stock Exchange, a strong upward trend with high turnover emerged in 2006. The average daily trading volume in the stock market during the six-month ended 30th September, 2006 soared to approximately HK$29.8 billion, representing an increase of 64% compared to the same period in 2005. The benchmark Hang Seng Index jumped to 17,543 as at 30th September, 2006, compared to 15,429 on the same date in 2005.

The Group's commission and fee income from brokerage segment up by 19.8% to approximately HK$48.9 million this period, due to the general-market strength.

On the other hand, due partly to the increase in average outstanding securities margin loans and partly to increase interest margin during the period, interest income from securities margin financing has increased by 27.7% to approximately HK$31.4 million, contributing a segmental profit of approximately HK$26.5 million.

The money lending business was launched in early 2006, which is provision of consumer and mortgage loans, had recorded a segmental profit of approximately HK$7 million this period.

**Financial Review**

The Group is in a strong and healthy financial position. As at 30th September, 2006, the shareholders' fund of the Group amounted to HK$1,062.2 million, representing an increase of HK$138.9 million or approximately 15% from those of 31st March, 2006. During the period, the Company issued 167,941,174 new shares upon exercise of 44,411,764 share options and HK$84 million convertible notes were converted into a total number of 123,529,410 shares at the conversion price of HK$0.68 per share.

As at 30th September, 2006, the Group's net current assets was amounted to approximately HK$906.3 million, increased by 22.2% compared to the net current assets at 31st March, 2006. The Group's outstanding bank borrowings repayable within one year, amounted to HK$42 million as compared to no outstanding bank borrowings as at 31st March, 2006, other than the bank borrowings, 4% convertible notes of principal amount of HK$34 million as shown in note 12 to the condensed consolidated financial statement was outstanding as at 30th September, 2006 (31st March, 2006: Nil). The increase in borrowings was mainly due to rise in demand of margin financing and consumer loans. The bank borrowings, being interest bearing on a floating rate basis, were principally procured to finance securities margin loans and consumer loans.

The gearing ratio of the Group (total liabilities over total shareholders' funds) has reduced to 0.3 times as at 30th September, 2006, compared to 0.4 times at 31st March, 2006.

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, 2006, the Group had available banking facilities amounting to HK$681.1 million, of which HK$42 million was utilized. The banking facilities were secured by land and buildings, prepaid lease payments, client's pledged securities and corporate guarantees provided by the Company.

As at 30th September, 2006, the Group had no material contingent liabilities and no material capital commitment.

**Material Acquisition of Subsidiaries**

The Group had no material acquisitions and disposals of subsidiaries and associates for the period ended 30th September, 2006.

**Risk Management**

The Group adopts stringent risk management policies and monitoring system in particular on the exposure associated with the financial risks as set out below:–

- *Credit risk*

  The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment allowances are made for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the heath of a particular industry segment, could result in losses that are difference from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

  The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a quarterly or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The credit risk on bank balances and deposits is limited as the counterparties are banks with high credit rating assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

- *Liquidity risk*
  As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing house or brokers and clients. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

**Staff**

As at 30th September, 2006, the Group had a total of 46 employees and 88 account executives, 22 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.

## PROSPECTS

During the period under review, the Group continued to focus on developing its main streams of business namely financial services and property development and has sought for other investment opportunities including the pursuit of the sale and purchase agreement signed for acquisition of a hotel located in Macau. Looking forward, the Group will continue to look for different investment opportunities in order to diversify the Group's businesses and will remain vigilant to maintain our root structure lean and effective.