

## **CHAIRMAN'S STATEMENT**

I am pleased to report on behalf of the Board the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2000.

## **BUSINESS REVIEW AND FUTURE OUTLOOK**

### **Review**

In the six months ended 30 September 2000, total turnover of the Group amounted to approximately HK\$25.67 million, representing a slight drop of approximately HK\$7,000 or 0.02% as compared to the previous corresponding period. Gross profit of the Group rose to approximately HK\$37.21 million for the six months ended 30 September 2000, representing an increase of nearly 1.6 times as compared to the same period of the previous financial year. Net profit attributable to shareholders for the six months ended 30 September 2000 amounted to HK\$35.25 million, representing 2.21 times increase from the previous year. The gross profit margin for the six months ended 30 September 2000 excluding the gain on the disposal of shares in HKEC was approximately 53.27%, comparing to the gross profit margin of 55.82% recorded last year. The significant profit growth of the Group for the six months ended 30 September 2000 is attributed to a gain of approximately HK\$23.53 million on the disposal of shares in HKEC by certain subsidiaries of the Group during the period. Profit generated from the newly acquired finance business arm by the Company from one of the Directors during the period was approximately HK\$2.51 million, representing 18.33% of gross profit from operation. If the effect on share disposal and business acquisition are both excluded, total turnover for core business operation would have declined for approximately HK\$3.92 million or 15.27% as compared to the previous year. The net profit margin for the six months ended 30 September 2000 was approximately 45.64% excluding the gain on disposal of shares in the HKEC, which is comparable to the net profit margin of 42.18 % as recorded in the same period of the previous financial year. Basic earnings per share based on the weighted average number of shares in issue during the respective period and the assumption that the Group Reorganization had been completed on 1 April 2000 amounted to HK21.22 cents, representing a 2.04 times increase from last year.

The cash position of the Group was strengthened after the listing of the Company in September 2000. However, the interest effect on the proceeds received from the share offer was minimal. During the period, all amounts due from related parties have also been fully repaid.

## **Brokerage Business**

The Group's performance in its securities and futures brokerage and dealing businesses remained satisfactory during the period under review despite recent setbacks in the market owing to sharp corrections in the TMT (telecommunications-media-technology) sectors and the subsequent sluggish performance in the market. During the six months period, turnover for the Group's securities broking business and futures broking business were HK\$16.47 million (1999: HK\$20.46 million) and HK\$5.10 million (1999: HK\$5.22 million) respectively. The decrease in turnover for both divisions was mainly brought about by intensified competition in the industry, shrinking market turnover, and the decline in retail client market participation during the respective period.

## **Share Margin Financing**

The management maintained a risk-averse lending posture during the six months period under review, Karl Thomson Finance, the share margin finance business arm of the Group, gained approval from the Securities & Futures Commission ("SFC") to register as share margin financier in early November. In the six months ended 30 September 2000, total turnover from share margin financing business amounted to approximately HK\$3.92 million, representing 15.25% of the Group's turnover. During the period under review, the Company has been capable of meeting the liquidity requirements as set out in the Financial Resources Rules made under the Securities and Futures Commission Ordinance.

During the six months period, the Group's accounts receivable reached HK\$111.48 million, representing an increase by 1.48 times as compared to the previous year. The sharp increase is partly due to the inclusion of the loans to margin clients by the Group's newly acquired finance arm from one of the Directors during the period.

## **Prospects**

To maintain our success and to strengthen our position in the highly competitive financial industry, the Group must strive to answer to its clients' needs and to secure a loyal client base by engaging in providing value-added services. It is also our mission to enhance our strength in the market and to place our customers' interests with top priority. The Directors pledge to dedicate more resources to the Group's core businesses of securities broking and research. As mentioned in our prospectus, part of the net proceeds from the share offer would be used for the expansion of branch network. The Company is currently in the process of evaluating the feasibility of setting up more new branch offices. With the gradual launch of AMS/3 by the Exchange, cut-throat competition is foreseen in the industry as players scrap commissions and consolidation in the number of players within the industry will persist in the foreseeable future. With its goal to capture a leading role in the financial services industry, the Group will emphasize on teamwork and professional services, with the aim to provide one-stop solutions to meet its clients' needs.

## **Technology Innovation**

Cyber-brokerages have become one of the fastest-growing markets in the internet portal business. This promises to change the face of traditional stock market and means more job opportunities in marketing and customer servicing. The Group is ready to take advantage of this trend and committed to place more resources to grasp a bigger share in this sector. The Group will put more resources to upgrade both front and back office systems as an important step in winning clients' confidence and support.

## **Conclusion**

With China's prominent entry into the WTO, Hong Kong is moving into a new role as a full-fledged service providing economy. The Directors believe that the Hong Kong economy will be boosted by the positive impact brought by the further liberalization of the mainland economy. The winning strategy now is to develop long-term customer relationship and to achieve customer loyalty.

The Directors are cautiously optimistic on the business prospects for the Group's core stockbrokerage business performance. Market sentiment will improve as interest rate has reached its peak and will be on a downtrend in the forthcoming year. I would like to take this opportunity to express my sincere thanks to the major supporters of the Group's development including our shareholders, our directors and our staff, for their confidence in and dedication to the Group. Their support can undoubtedly fuel our future success.

By Order of the Board  
**Lam Kwok Hing**  
*Chairman*

Hong Kong, 20 December 2000