

Management Discussion and Analysis

管理層討論及分析

REVIEW OF OPERATIONS

Securities

During 2001, the Hang Seng Index fell by 3,698 points, or 24.5%, to close at 11,397. Average daily market turnover dropped to HK\$8,025 million or 35% lower than in year 2000. The income of our Securities Brokerage Division declined in line with the overall slowdown of the market.

In light of this difficult market, our strategy for growth is to expand our distribution capacity and to achieve a broad based, quality client base.

In line with this strategy, we have expanded our branch network. In March, the Kwun Tong branch was officially opened. This was followed in November by the opening of the Sheung Shui branch, bringing our total number of branches to five. The expanded branch network is intended to offer more accessible services to our existing clients and also to attract new clients. The Group celebrated the 10th anniversary of our Macau subsidiary office in October 2001 following receipt of a licence from the Autoridade Monetária de Macau ("AMM") under the new regulatory framework. Mr. Edmund Ho Hau Wah, Chief Executive of the Macau SAR, officiated at the anniversary ceremony together with the AMM Chairman and other officials.

業務回顧

證券

於二零零一年，恆生指數下挫3,698點(24.5%)，年終以11,397點收市。市場的每日平均成交額大幅下挫至80.25億港元，相較二零零零年減少了35%。而集團的證券業務收入，亦隨市場的整體放緩而下跌。

面對艱難的市場環境，集團採取的發展策略，是繼續擴展分銷網絡，以建立一個更廣闊、更優質的客戶基礎。

集團策略的其中一環，就是擴展分行網絡。觀塘分行於三月正式開業，而上水分行亦於十一月成立，令集團的分行數目增至五間。透過擴展分行網絡，集團可為現有客戶提供更快捷方便的服務，同時亦可吸納新客戶。另外，在澳門新的監察條例下，集團取得由澳門金融管理局(「澳門金管局」)所簽發的證券交易牌照；集團更於二零零一年十月慶祝澳門辦事處成立十周年，並獲澳門行政長官何厚鏞先生、澳門金管局主席及其他主要官員親臨主持周年紀念儀式。

Despite the bearish market sentiment, capital-raising activities remained robust. A total of 84 initial public offerings were brought to market by various sponsors in 2001. Our extensive sales force enabled the Group to become involved in more than 100 placings and underwritings for both IPOs and covered warrants.

Our marketing campaigns also attracted new revenue. The launch of an aggressive marketing programme, in conjunction with our online operation, helped attract new accounts with assets worth more than HK\$500 million, significantly enhancing our client base.

The anticipation during the year of the P.R.C.'s entry into the World Trade Organization ("WTO"), coupled with the government's decision to allow domestic investors to engage in the B-share market, created a brief but significant gain in China B-shares, benefiting the Equities Division. This new policy induced similar optimism for Hong Kong H-shares and resulted in vigorous trading volume in H-share and "Red-Chips" during April to June. However, concerns over new issues and corporate transparency of China-linked companies led to a correction in both B-share and H-share markets in the second half of the year.

Staff training and enhancement programmes have also proved beneficial. During 2001, continued efforts were made to upgrade the quality of our sales executives with ongoing internal and external training programmes. The Hong Kong Stock Exchange AMS/3 "Straight-through processing" system was successfully implemented, greatly enhancing

儘管股市氣氛淡靜，但集資活動卻依然活躍。於二零零一年，共有84宗首次公開招股獲保薦上市。集團憑著廣泛的銷售網絡，共參與了逾100宗公開招股及備兌認股證的配售及包銷活動。

此外，我們的市場推廣活動亦為集團帶來新的收入；一個進取的、與網上業務部聯同進行的推廣計劃，吸納了新的客戶，並額外帶來了逾5億港元的客戶資產，顯著地擴闊了集團的客戶基礎。

隨著年內市場預期中國加入世界貿易組織（「世貿」），及中國政府批准內地投資者參與B股買賣，造就了中國B股短暫但可觀的回報，而集團之證券業務亦因而受惠。於四月至六月期間，此新政策為本港國企股帶來了樂觀的氣氛，令國企股及紅籌股的交投量均激增。然而，市場對與中國有關的公司進行新股發行及企業的透明度有所憂慮，導致國內B股及本港國企股於下半年出現調整。

員工培訓與質素的提升亦帶來了實際效益。於二零零一年，集團繼續致力提高營銷人員的質素，並透過內部及其他機構舉辦的課程，為員工進行培訓。此外，集團自成功引入香港聯合交易所「直通式交易程

our dealing efficiency. The expansion of our third party execution and settlement infrastructure further developed our securities dealing capacity and services.

On 14 December 2001, we acquired the operations of Bali International Finance Limited and its subsidiaries ("Bali"). The securities trading business of Bali has been merged with that of Sun Hung Kai Investment Services Limited, further strengthening our position in the industry.

Foreign Exchange, Bullion, Commodities and Futures

One of our Group's strengths is its history of the early introduction of new technologies for the benefit of our clients. A forex Internet trading platform was developed for "Business to Business" transactions. This trade engine offers prompt pricing and execution and provides a quality source for hedging orders. In the future we intend to develop the platform to also cater to the "Business to Consumer" market. Demand for leveraged forex services has been declining worldwide, and the advent of the Euro has further diminished volumes. Whilst business conditions in this area of operations are extremely difficult, we were able to sustain considerable growth in forex business transaction volume in the latter half of 2001, and hope to continue this trend through 2002.

Following the P.R.C.'s entry into the WTO, the resultant market is expected to provide more business opportunities. The demand for commodities such as copper, aluminium and zinc will increase and hedging opportunities for those

序] 第三代自動對盤系統後，交易效率亦得以大幅提升。與此同時，為第三者提供證券買賣及交收服務而設的系統已積極擴充，進一步提升了我們的證券交易量和服務。

於二零零一年十二月十四日，集團收購了百達利財務有限公司及其附屬公司（「百達利」）。百達利之證券業務現已跟新鴻基投資服務有限公司之業務合併，進一步鞏固了集團在業界之地位。

外匯、黃金、商品及期貨

為向客戶提供優質的服務，集團率先採用嶄新的科技設備。一個網上外匯交易平台經已推出，處理「商業對商業」之買賣。此交易系統不單兼備即時報價及成交服務，更能提供對沖盤的選擇。集團計劃在將來繼續發展此平台，以兼顧「商業對顧客」之買賣。全球對槓桿式外匯買賣服務之需求不斷下降，歐羅的出現令其成交量進一步萎縮。雖然在此方面的經營環境相當困難，但集團外匯業務之交易數量仍於二零零一年下半年維持可觀增長，我們期望這趨勢可於二零零二年持續。

隨著中國加入世貿，預期國內市場的開放將帶來更多商機。對於實質的商品，包括銅、鋁及鋅之需求將

commodities should correspondingly increase. Sun Hung Kai Commodities Limited will work to expand our mainland clientele to explore new opportunities and to enhance the income from this division.

Online Trading

2001 saw SHK Online (Securities) Limited ("SHK Online") grow beyond an information portal and develop into a straight-through online trading platform. Through a series of advertisements and roadshows throughout Hong Kong, SHK Online rapidly gained visibility and expanded its client base in the highly competitive online market place.

In March 2001, SHK Online launched its first comprehensive marketing plan aimed at capturing critical mass in both customer base and volume turnover. The industry-leading initiatives, which included the innovative All-You-Can-Trade monthly fee and asset transfer programmes, created a new pricing and customer incentive scheme with the specific aim of capturing high quality clients and assets. Within a very short period, the programme resulted in a major increase in the client base and a very substantial increase in both customer assets and daily turnover. In July 2001, SHK Online built upon and refined these achievements with a second marketing campaign. This enabled SHK Online to move further into the ranks of Hong Kong's leading online brokers, and saw its average daily turnover increase to represent a significant portion of the Group's overall turnover. The programme also allowed SHK Online to better rationalize its pricing policy and operating margins. Finally in November 2001, working in tandem with the traditional brokerage arm of Sun Hung Kai Investment Services Limited, SHK Online launched its third broad-based marketing campaign,

會提升，故相關之期貨對沖業務亦會跟隨上揚。新鴻基期貨有限公司將致力廣開國內客源，爭取更多商機，拓展收入來源。

網上交易

二零零一年，新鴻基科網(證券)有限公司的網站(「鴻財網」)由一個財經資訊網站，發展成為直通式的網上交易平台。於本港舉辦一連串之宣傳活動及巡迴展覽後，鴻財網已在競爭激烈的網上市場中，迅速取得知名度，並擁有相當的客戶基礎。

於二零零一年三月，鴻財網推出首個市場推廣計劃，務求爭取更多的客戶及增加成交量。這個開創先河的推廣活動，包括鴻財網任你Trade月費及轉倉優惠計劃，為市場帶來了全新的價格及顧客優惠，希望為集團吸納更多高質素之客戶及資產。這推廣計劃迅速地帶來了重大的客戶增長，所持的客戶資產及每日成交量均大幅上升。於二零零一年七月，鴻財網推出第二個市場推廣計劃。此舉使鴻財網成為了本港具領導地位之網上證券經紀，其每日平均成交量均有所增加，並佔集團整體成交量一個相當大的比重，此推廣計劃亦證明了其定價方針及營商策略是可取的。最後於十一月，鴻財網更與新鴻基投資服務有限

extending key elements of the previous two campaigns into the area of traditional, Account Executive-based brokerage services.

With its significant turnover and an increasing client asset base, we believe SHK Online now enjoys the status of a top ranked online broker in Hong Kong with perhaps the highest turnover and asset base amongst its peers.

SHK Online's business philosophy is to be a first-in-class, innovative provider of cost-effective online services and it intends to continue to draw on its strengths and further consolidate its leadership position. To this end, emphasis will be placed on the capture of high quality assets and client base, and enhancement of profit margins through more stringent control on pricing and cost structure. A completely revamped website with significantly improved services and ergonomics is targeted for launch within the first half of 2002, together with the "reverse integration" of extending online services to our traditional Account Executive network as a value-added service to the Group's customers.

Corporate Finance

The Corporate Finance Division established itself as a significant market force in Hong Kong, successfully completing four sponsorships of initial public offerings during the year. These were the listing of Kiu Hung International Holdings Limited, Luen Tai Group Limited and New Spring Holdings Limited on the main board of The Stock Exchange of Hong Kong Limited, and Inworld Group Limited on the Growth Enterprise Market ("GEM") board. The division was also involved in many placements, rights issues, and underwriting of shares. In addition, the division provided financial advisory

公司之傳統證券經紀部攜手合作，推出第三個更廣泛的市場推廣計劃，將前兩次推廣活動的主要元素擴展至傳統經紀服務上。

鴻財網顯著的成交量及其持續上升的客戶資產，致使我們相信鴻財網現能在本港網上證券經紀業中取得領先位置，或在同業中擁有最高成交量及客戶資產。

鴻財網的經營方針，就是要提供頂尖的、具創意及成本效益的網上交易服務，這套方針將可進一步鞏固其領導地位。為達到此目的，我們的發展重點將放在積極爭取高質素的客戶及資產上，更會嚴格控制價格及成本，以提升邊際利潤。此外，鴻財網之網站亦會全面更新，為客戶提供更優質及更有效率之服務。一個融合了傳統經紀服務之全新網站，料將於二零零二年的上半年度推出，讓集團的客戶可享有更多的增值服務。

企業融資

企業融資部於本港發展成為一股重要市場力量，年內成功為四間公司完成首次公開招股的保薦工作，包括於香港聯合交易所主板上市之僑雄國際控股有限公司、聯大集團有限公司、新高準控股有限公司及於

services and acted as the independent financial adviser for the independent directors of COFCO International Limited in respect of the connected transactions of the company.

For the forthcoming year, in view of the potential of the P.R.C. market and the development of the Hong Kong GEM, we will also focus on expanding our operations in Greater China whilst continuing to focus on capital formation in the primary market.

Insurance Broking

The Group's Insurance Broking Division performed well in this difficult but successful year, achieving highly satisfactory growth on last year's profit. The insurance industry was exposed to the pressure of the economic recession, increasing government regulation and a hardening market in 2001. The consolidation and liquidation of some major global insurers, as well as the catastrophic loss incurred by underwriters, has resulted in shrinking market capacity and restructuring of the underwriting practice. Insurers have become extremely selective in risk-taking; and accordingly additional effort and time must be spent in negotiation with insurers and seeking capacity for placement of cover. However, with its commendable effort and adaptation to the new circumstances, the division was able to overcome the difficulties and achieve a pleasing result.

創業板市場(「創業板」)上市的活力世界控股有限公司。同時，該部門亦曾參與多項股份配售、供股及包銷活動。此外，集團在中國糧油國際有限公司之關連交易中擔任獨立財務顧問，為該公司之獨立董事提供專業的財務意見。

鑒於國內股市及香港創業板發展潛力龐大，企業融資部於來年除了繼續主力從事在第一市場的集資活動外，更會積極拓展大中華地區的相關業務。

保險經紀

面對艱苦的經營環境，保險經紀部之業績相較去年仍取得滿意的增長。於二零零一年，保險行業受著經濟衰退、新增政府政策及市場環境逆轉等多重影響，加上全球部份主要之保險公司進行整固及清盤，以及承保人損失嚴重的情況，導致保險市場萎縮，承保業務需要重組。故此，保險公司現對承保風險十分審慎，並須付出更多時間及努力與受保人磋商以取得保單。儘管如此，憑著保險經紀部的努力及對新環境的適應，該部門已能克服業界的困難，並得到滿意的業績。

Securities Financing

Securities financing continued as a cornerstone of the Group's business portfolio despite the economic slowdown. Our margin loan portfolio dropped somewhat compared to last year although the interest spread remained satisfactory. Bad debt provisions were significantly reduced from the 2000 provision. The main reasons for the reduction were that the total market declined, leading to a decrease in our loan portfolio, and the upgrading of our internal controls.

The introduction of a new margin loan facility, "SHK Opportunity Investment Account", permitted retail customers higher flexibility in margin trading. On 1 June 2001, the margin loan business was largely transferred from our registered margin finance provider subsidiary Sun Tai Cheung Credits Limited to our broker-dealer subsidiary Sun Hung Kai Investment Services Limited.

Term Lending

Our term loan portfolio, conducted under Ranbridge Finance Limited, remained at a similar overall level to last year and continued to be a strong profit contributor to the Group. We will continue to focus on the development of this business.

Research

The Research Department increased its team of mainland and Hong Kong analysts. This allowed us to provide more comprehensive investment analysis and ideas to our clients. In 2001, in addition to the regular daily notes, we produced

證券放款

儘管經濟放緩，證券放款仍屬集團業務之重要一環。集團之放款組合雖較去年輕微下跌，但息差仍然令人滿意。由於本港股市整體下滑，集團的證券放款組合亦隨着下跌，加上集團加強內部監控，我們的呆壞賬撥備因而較二零零零年度大幅減少。

集團推出新的孖展借貸服務「新証孖展通」，讓大眾投資者可更靈活地進行孖展買賣。於二零零一年六月一日，集團大部份之孖展借貸業務已由以往一間註冊的證券放款附屬公司新泰昌授信有限公司，轉移至另一間主要從事證券經紀業務的附屬公司新鴻基投資服務有限公司。

有期借款

捷橋財務有限公司的有期借款組合整體上與去年相若，並繼續是集團的重要收入來源。我們會繼續致力發展這方面的業務。

資料研究

資料研究部增添國內及本港的分析員，為客戶提供更全面之投資分析與意見。於二零零一年，該部門除了每日編出市場摘要外，更出版了共379份研究報告，並定期舉辦公開投資講座。相信我們現時是唯一

a total of 379 reports together with hosting regular public investment seminars. We believe that we may be the only non-mainland stockbroker that offers China A-share research. These informative reports are all posted on our website, SHKresearch.com. We also experienced improving viewership, from both overseas and local institutional investors, of our investment reports distributed electronically through Multex and Thomson Financial Group.

Electronic Financial Information Service

The Group's 51%-owned subsidiary, SHK Financial Data Limited, continues to be amongst the foremost providers of comprehensive financial information covering the Hong Kong equity, forex and bullion markets. Its client base is mainly composed of financial institutions, brokers, Internet service providers (ISP), telecommunications operators, paging operators and other market information providers.

In 2000 and also in early 2001, significant revenue was derived from the Internet-related sectors. However, with the collapse of the Internet bubble in 2001, turnover dropped considerably thus impacting on the company's performance. Prompt action was taken to meet the increasingly competitive environment by adopting more stringent cost controls and streamlining operations through in-house developed software.

In order to stabilise the company's business and rejuvenate growth, the company successfully diversified into the fee-paying subscription market together with some reputable partners. Investment in content development and the research and development of various innovative and interactive tools for Internet users will continue.

一間從事中國A股研究之非國內的證券公司。這些研究報告極具參考價值，全部均上載於網站SHKresearch.com中。我們更透過Multex及Thomson Financial Group之電子渠道將研究報告發送到海外及本地的機構性投資者，而其瀏覽人數正不斷上升。

電子財經資訊服務

新鴻基財經資訊有限公司(集團擁有51%股權的附屬公司)繼續是本港首要之財經資訊供應商，所提供的資訊涵蓋香港股票、外匯及黃金市場。該公司的客戶主要包括金融機構、證券經紀、互聯網服務供應商、電訊公司、傳呼公司及市場資訊供應商。

於二零零零年及二零零一年年初，該公司的收入主要來自與互聯網相關的業務。但隨著科技泡沫於二零零一年爆破，該公司之營業額大幅下跌，其業績因而受到影響。面對競爭激烈之經營環境，該公司已迅速採取行動，透過發展內部軟件以精簡營運程序，並嚴謹地控制成本。

為了穩定業務及刺激增長，該公司與一些著名的商業夥伴合作，成功地將業務分散至資訊收費市場，並會繼續投資於內容發展及研發多種具創意及互動性的資訊工具，供互聯網的用戶使用。

China Desk

During 2001, our China Desk was expanded in an effort to capture business opportunities in the P.R.C. Our current focus is to strengthen our corporate finance service in the mainland by providing support for the listing of P.R.C. companies in the B-share and Hong Kong markets. We also established strategic partnerships with suitable organizations and companies in the mainland. These initiatives are intended to gradually strengthen our brand name throughout the P.R.C.

A major function of our newly established Beijing office is to develop stable contact with the P.R.C. Government, particularly the China Securities Regulatory Commission. This should assist in allowing us to understand and benefit from the latest developments in mainland financial policies. At present, we are negotiating with the mainland securities companies with a view to establishing co-operative relationships in order to engage in the domestic market, following the P.R.C.'s accession to the WTO.

INVESTMENTS IN PRINCIPAL ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITY

Tian An China Investments Company Limited

In order to maintain a strong position in the growing P.R.C. property market, the Group has retained its strategic holding in Tian An China Investments Company Limited ("Tian An"). Our total equity in Tian An is now 43.27% and the total share of income contributed to the Group for 2001 is reported at HK\$40,967,000 (profit after tax).

中國業務

於二零零一年，集團擴充中國業務部以捕捉中國市場的商機。集團現時主要集中於加強國內的企業融資服務，協助國內公司於B股及本港市場上市。集團亦與國內合適之機構及公司組成策略性聯盟，籍此提高集團在國內的知名度。

集團於北京設立了新的代表辦事處，望能與國內政府部門(特別是中國證監會)保持穩定之接觸，以緊貼內地金融政策之最新發展。現時，集團正與國內之證券公司商討建立合作關係，以便在中國加入世貿後涉足國內之股票市場。

主要聯營公司及共同控制公司之投資

天安中國投資有限公司

為鞏固集團於潛質優厚的國內地產市場之地位，集團繼續持有其於天安中國投資有限公司(「天安」)之策略性股權。集團現持有天安股權43.27%，而於二零零一年，天安為集團帶來之溢利貢獻(除稅後)為40,967,000港元。

As previously reported in our 2000 Annual Report and in note 4 to these 2001 accounts, a default occurred in relation to secured loans outstanding from the purchaser of 770 million shares in Tian An acquired by the Group as the result of the 1999 underwriting of a rights issue. The unrealized loss resulting from this default was fully accounted for in 2000, and therefore no further provision is currently required. However, ongoing consideration is being given to the courses available to the Group in conjunction with our legal advisors.

The P.R.C. property market showed strong growth during the first quarter of 2001, but increasing prices and mounting oversupply affected this momentum. In line with its strategy and in view of the slowdown of property sales during the second half of 2001, Tian An continued to capture growth by dedicating considerable effort in increasing its quality landbank in Beijing and Shanghai. Tian An acquired further development rights in a number of projects strategically located to capture the anticipated growth in important regions.

Yu Ming Investments Limited

In December 2001, the Group increased its holding in Yu Ming Investments Limited ("Yu Ming") to 361,151,800 shares, from 19.82% to 21.36% of its share capital. Yu Ming is thus now an associated company of the Group.

Yu Ming's principal activities include investments in Hong Kong and the P.R.C. In year 2001, it focused on bond investments, as well as disposal of its Internet investments. We believe Yu Ming has sufficient liquidity to take advantage

如二零零零年之年報及二零零一年賬目附註4所載，集團將其於一九九九年因包銷天安的供股而認購的7.7億天安股份出售，並以抵押方式為買家提供貸款，惟買家未能履行其貸款人責任。有關之未兌現虧損已於二零零零年全面入帳，故集團現時無需作進一步撥備。然而，就此項欠款，集團在聽取法律意見後，正考慮可採取之合適行動。

國內地產市場於二零零一年第一季強勁增長，但價格上升及供過於求之情況，阻礙了市場的持續發展。天安貫徹其業務發展策略，在國內地產銷售於二零零一年下半年放緩的情況下，不斷致力增加在北京及上海優質之土地儲備，並在國內重點地區進一步策略性收購數個地產項目之發展權，望能隨着此些地區如期發展而得益。

禹銘投資有限公司

於二零零一年十二月集團增加其於禹銘投資有限公司(「禹銘」)之股權至361,151,800股，佔禹銘之股本由19.82%增至21.36%，禹銘現已成為集團之聯營公司。

禹銘之主要業務包括於香港及國內作出投資。於二零零一年，禹銘主要從事債券投資，並出售其於互聯網的投資項目。我們相信禹銘具有足夠流動資金，可於現時疲弱之港股市場及國內新興市場中得益。展

of a weak market in Hong Kong and an emerging market in the P.R.C. Looking forward, the company intends to explore more investment opportunities in the P.R.C. As Yu Ming only became an associated company in December 2001, our share of its post acquisition profit or loss is only minimal for this year, although we are hopeful of improvement next year.

SHK Finance Limited

In year 2001, our 50%-owned company, SHK Finance Limited ("SHK Finance") faced a difficult year due to the economic downturn, resulting in increased bad debt provisions. The company reacted to the situation by adopting a tighter credit control policy, a more cautious lending approach and the implementation of cost-control measures.

During the year, the company recorded a very substantial increase in its loan portfolio balance and client base. Its branch network expanded by the addition of four more branches in Yau Ma Tei, Wan Chai, Tai Po and Tsuen Wan. SHK Finance now has fourteen branches in Hong Kong. The company may open more new branches in 2002.

During the second half year of 2001, a new property-related consumer finance product was launched with satisfactory results. The company will strive for new product innovations in the coming year in order to more satisfactorily compete in the market.

望未來，禹銘將於國內開拓更多投資機會。由於禹銘謹於二零零一年十二月成為集團的聯營公司，故集團在本年度於禹銘應佔之收購後溢利或虧損不大，然而我們對其明年之業績貢獻抱有信心。

新鴻基財務有限公司

於二零零一年，集團持有50%股權之新鴻基財務有限公司（「新鴻基財務」）面對困難的一年，經濟下滑導致其呆壞賬增加。因此，該公司於借貸方面採取嚴謹的監控政策，並審慎借貸及實施更能控制成本之措施。

年內，新鴻基財務之貸款組合及客戶數目均錄得顯著增幅。該公司更擴張分行網絡，增設了四間分行，地點分別位於油麻地、灣仔、大埔及荃灣。新鴻基財務於本港現擁有十四間分行，更計劃在二零零二年開設更多分行。

於二零零一年下半年，新鴻基財務推出一個與物業相關的個人貸款產品，市場反應理想。該公司將於來年致力推出更多新產品，以提高其市場競爭力。

FINANCIAL RESOURCES AND GEARING RATIO

The Group is in a strong financial position and continues to maintain a low gearing ratio.

As at 31 December 2001, the Group's total net bank borrowings (net of cash and bank balances of HK\$239 million) amounted to HK\$429 million, which, when related to the Group's shareholders' funds, resulted in a gearing ratio of approximately 9.56%. Net bank borrowings (excluding bank borrowings which were drawn down for the margin finance, term loan and personal finance businesses, where the funds were on-lent to clients at a gross profit) amounted to HK\$39 million which represented a gearing ratio of 0.88%.

The liquidity of the Group is demonstrated by the current ratio (current assets/current liabilities), which was 2.16 times. This ratio showed an improvement from that of 1.73 times applicable in the previous year.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

As at 30 June 2001, an 8.83% interest in Tian An, a listed associated company, held by the Group as "trading account securities" was reclassified as "investment in associated company". As at 28 December 2001, the Group also reclassified its 21.36% interest in Yu Ming (inclusive of 3.6% interest acquired during the year) from "other investment" to "investment in associated company".

Apart from the above and the acquisition of Bali, there has been no material acquisition and disposal of subsidiaries and associated companies by the Group in 2001.

財政資源及資本與負債比率

集團財政狀況穩健，並繼續維持低的負債比率。

截至二零零一年十二月三十一日，集團的銀行總借款淨額(扣除現金及銀行結存239百萬港元)為429百萬港元，若與集團股東資金相比，資本與負債比率約為9.56%。若以銀行借款淨額(扣除集團之證券放款、有期借款及私人貸款業務為賺取利潤而轉借予客戶的銀行借款)39百萬港元計算，資本與負債比率則為0.88%。

集團之流動資產比率(流動資產除以流動負債)較去年為佳，由1.73倍上升至2.16倍。

附屬及聯營公司的重大收購及出售

於二零零一年六月三十日，集團將其於上市聯營公司天安的8.83%股權，由原先列作的「證券經營賬」重新歸類為「聯營公司投資」。於二零零一年十二月二十八日，集團亦將其於禹銘之21.36%股權(包括年內收購之3.6%股權)，重新由「其他投資」歸類為「聯營公司投資」。

除上述及百達利的收購外，集團於二零零一年並無任何附屬及聯營公司的重大收購及出售。

SEGMENT INFORMATION

Detailed segment information in respect of the Group's turnover, contribution to profit or loss from operation, segment assets and liabilities are shown in note 2 to the accounts on page 81.

CHARGES ON GROUP ASSETS

Listed shares with an aggregate value of approximately HK\$86 million were pledged by subsidiaries as security for bank loans and overdrafts.

A property asset of the Group with a carrying value of approximately HK\$47 million was pledged by a subsidiary to a bank for an outstanding installment loan of HK\$34 million granted to the subsidiary.

CONTINGENT LIABILITIES

Details regarding the contingent liabilities are set out in note 33 to the accounts on page 114.

COST CONTROL

A combination of the market shock created following the tragic events of September 2001 in the U.S.A., and greater competition and price cutting in the market, required us to engage in measures to realign our operating costs with our reduced income expectations in the latter half, and particularly the last quarter, of 2001.

分項資料

有關集團營業額、經營溢利或虧損之貢獻、分項資產及負債之分項資料詳情，請參閱第81頁賬目附註2。

集團資產押記

集團的附屬公司將其持有總值約 86百萬港元的上市公司股份抵押予銀行，以換取銀行貸款及透支。

集團的一間附屬公司亦將其賬面值約47百萬港元之物業抵押予銀行，以換取一筆現尚欠34百萬港元之分期貸款。

或然負債

集團的或然負債詳情，請參閱第114頁賬目附註33。

成本控制

美國911慘劇之發生為市場帶來震盪，加上激烈競爭及市場割喉減價，集團預料在二零零一年下半年(尤其最後一季)收入減少，促使集團必須採取措施以控制營運成本。

At the same time, the importance to us of our staff resulted in us attempting to achieve this whilst minimizing redundancies. The prime mechanism adopted was a reduction in overall payroll effected through appropriate salary reductions, thereby minimizing the number of staff layoffs required.

We also rationalised some services in order to reduce overhead.

The full effect of these savings will be felt in 2002, although they also had a beneficial impact in the last quarter of 2001.

MANAGEMENT OF RISKS

Policies and Procedures

The Group has established policies and procedures for risk management which are reviewed regularly by the management and various Group committees, including the Credit and Risks Management Committee (the "CRM"), which reports to the Executive Committee of the Board of Directors, to ensure the proper monitoring and control of major risks arising from the Group's activities. The Group's Internal Audit and Compliance Department (which reports independently to the non-executive Chairman and the Audit Committee as well as to the Chief Executive Officer) also performs regular reviews to supplement the various internal control measures adopted by the management and various divisions within the Group to ensure compliance with policies and procedures. These various control procedures are also examined and separately reported upon to the Audit Committee and the Board of Directors by the external auditors at least annually.

與此同時，基於員工對集團的重要性，集團將裁員數目減至最低，而透過對員工作出適當的減薪以達到減少成本。

此外，集團亦將某些設施改良，以減少開支。

以上成本控制的措施對集團二零零一年最後一季的業績已具正面影響，但其影響將於二零零二年全面體現。

風險管理

政策及程序

集團已設立風險管理的政策及程序，並由管理層及多個集團委員會（包括須向董事會執行委員會匯報的信貸及風險管理委員會（「信貸風險委員會」））定期進行檢討，以確保於任何時候因集團業務而產生之所有主要風險得以受到監控。除管理層及個別部門採取各項內部監控措施外，集團的稽核及法規監核部（一個向非執行主席、審核委員會及行政總裁獨立匯報的部門）亦會定期查核，從而確保該等政策及程序得以遵守。此等監控程序亦最少每年由外聘核數師審察及分別向審核委員會及董事會報告。

Credit Risk

Credit risk arises from a number of areas. These include the possibility that the counterparty in a transaction may default during the settlement process. It also arises from lending, settlement, treasury, market-making, derivatives trading and other activities undertaken by the Group.

The Group's credit manual sets out in detail the credit approval and monitoring procedures, which are established in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by the Securities and Futures Commission of Hong Kong.

Day-to-day credit management is performed by the Credit Department with reference to the aforementioned criteria including creditworthiness, collateral pledged, and risk concentration of the counterparties. Decisions made by the Credit Department are reviewed daily by the executive directors of the Group and by the CRM at its regular (normally fortnightly) meetings.

Liquidity Risk

The Group manages its liquidity position to ensure the Group maintains a prudent and adequate liquidity ratio, in strict accordance with statutory requirements. This is achieved by the management, comprising the executive directors, the Chief Financial Officer and relevant senior managers monitoring the liquidity position of the Group on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations and compliance with the statutory

信貸風險

導致信貸風險的成因眾多，包括交易對手有可能在交收過程中出現違約，信貸風險亦可能來自放款、交收、庫務、作價買賣、衍生產品交易及其他集團所從事的活動。

集團之信貸政策指引詳列批准信貸及監管程序，該等程序乃按照專業守則、有關條例的規定以及香港證券及期貨事務監察委員會發出之有關守則或指引而訂定。

日常信貸管理由信貸部負責。信貸部會就對方之信譽、抵押品及風險分佈作出批核，並由集團之執行董事每日審閱，而信貸風險委員會亦於定期例會中（通常每兩星期一次）作出檢討。

流動資金風險

集團監管其流動資金狀況，確保有審慎而充裕的流動資金比率，以遵守有關之法定要求。管理層包括執行董事、財務總監及有關高層管理人員每日均監察集團的流動資金狀況，以符合法定要求（如適用於集

requirements such as the Financial Resources Rules applying to various registered subsidiaries. The monitoring process and the results of the same are reported to the CRM, the Audit Committee and the Board of Directors at the regular meetings.

Capital Risk

The Group maintains a strong capital base to support the development of its businesses and to comply, where necessary, with at least the minimum statutory ratios.

Capital is allocated to the various activities of the Group depending on requirements and the degree of risk appropriate to various activities. Cost of capital, as determined from time to time, is allocated against its users.

Interest Rate Risk

Interest rate risk primarily results from timing differences in the repricing of interest bearing assets, liabilities and commitments. The Group's interest rate risk exposure arises mainly from margin financing and other lending activities undertaken. The Group has the legal capacity to quickly recall such loans or reprice its margin loans to an appropriate level. Its interest-sensitive positions can readily be identified. Interest rates paid by the Group are managed by the Finance Department with the aim of maximizing the spread of interest consistent with liquidity and funding obligations.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from movements of foreign exchange rates.

團多間持牌附屬公司的財務資源條例)，而有關監管程序及結果亦於定期會議中向信貸風險委員會、審核委員會及董事會匯報。

資本風險

集團維持穩固之資本基礎，以支持其業務發展及遵從所須至少之最低法定比率要求。

資金乃按集團各業務不同之需求及所承擔之風險分配至集團各業務範圍。資金成本(隨時間而定)由其用者各自承擔。

利率風險

利率風險主要由就附有利息之資產、負債及承擔重新定價之時差所引致。集團的利率風險主要來自證券放款及其他貸款業務。集團可法定要求借款人即時償還貸款，或重訂證券放款之息率至適當水平，而集團亦可容易地確定其在提供貸款時所承受之利率風險水平。集團所支付之利息乃由財務部管理，以盡量令息差符合資金之流動性及需求。

外匯風險

外匯風險乃外幣匯率變動對盈利或資本造成之風險。

The Group's foreign exchange risk primarily arises from currency exposures originating from its leveraged foreign exchange business or purchases on behalf of clients of foreign securities. Foreign exchange risk is managed and monitored by the relevant department under the limits approved by the Group's directors. In relation to our leveraged foreign exchange activity, our position is that of a market-maker, and accordingly, our risk is primarily a derivative foreign exchange risk for a client who does not or cannot meet margin calls following any period of substantial currency turbulence. Our principal lending operations are carried out in local currency to obviate foreign exchange risk although this year, one loan booked in Philippine pesos has resulted in a small currency loss. Accordingly, the Group has no significant exposure to foreign exchange fluctuations.

Market Risk

Market risk is the risk arising from changes in interest rates, foreign exchange rates, equity, property or commodity prices. It may affect the prices of financial instruments or other assets held by the Group. Financial instruments taken or held by the Group include foreign exchange contracts, futures contracts, equity, derivative and fixed income securities.

Market risk limits are approved by the Group's various Committees and in some cases by the Board of Directors. Actual positions are compared with approved limits and monitored regularly by the relevant divisional head, the Credit Department and by the senior management of the Group. Exposures are measured and monitored on a "mark-

集團之外匯風險主要來自其槓桿外匯或代客購買海外證券之業務。外匯風險由有關部門按集團董事會所批准的限額作出管理及監察。就槓桿外匯業務而言，由於集團乃擔任莊家之位置，倘客戶在經歷重大滙率波動後未能或無法填補保證金額，將對集團造成衍生外匯風險。雖然本年度集團有一項貸款以菲律賓披索入帳，導致輕微貨幣上的損失，集團主要的貸款業務仍以本地貨幣進行，以減低外匯風險，故此集團並無承受重大的外匯風險。

市場風險

市場風險來自利率、外幣滙率、股票、地產及商品價格之變動，從而影響集團所持有之金融工具或其他資產的價格。集團購入或持有之金融工具包括外匯合約、期貨合約、股票、衍生及定息證券。

市場風險的限額由集團多個委員會或按情況由董事會審批。有關部門主管、信貸部及高級管理層均會定時監察，並將實際的狀況與審批的限額作出比較，同時亦會就市場價格按止蝕水平計算及控制風險。涉

to-market” basis with stop-loss limits. Market risk trading positions are subject to daily mark-to-market valuation, which is also reported daily to the senior management for their review. The Group's Internal Audit and Compliance Department also performs regular audits to supplement the above controls to ensure compliance with the established market risk limits and guidelines.

Calamity Risk

In common with all companies and particularly financial services groups, the Group is exposed to the potential impact of natural and man-made disasters. In our case, being heavily dependent on information technology and its associated infrastructural requirements, we need to be particularly vigilant in this regard, especially with the prevalence of world-wide “hacking” and “virus-attacks”.

In the aftermath of the various disasters impacting on the insurance industry during 2001, appropriate insurance cover has been harder than normal to obtain, and more expensive. However, working with our Insurance Broking Division, we have managed to obtain what we believe is adequate cover for the potential risks of this type to which we may be exposed.

In the case of our IT infrastructure, we also maintain stringent security procedures, as well as off-site back-up and recovery programmes which we continually review and refine.

及市場風險之買賣活動均按每日市場價格而進行估值，並每日向高層管理人員匯報審閱結果。集團的稽核及法規監核部亦會作出定期審核，以補充上述監控，確保遵從集團既訂的市場風險限額及指引。

災難風險

一如其他公司，特別是金融服務機構，集團受自然或人為災難所影響。由於業務性質關係，集團十分依賴資訊科技及其相關基建條件，我們需要對這方面提高警覺，特別是盛行的全球性「黑客」及「病毒」入侵。

二零零一年保險業受各種災難影響，投保較以前困難及昂貴。然而，透過與保險經紀部的合作，集團已取得其認為足夠之保額，以保障所有同類型之可能性風險。

資訊科技方面，我們亦維持嚴謹保安程序，並不斷檢討及改善離站式備份裝置及有關還原程式。

Reputational Risk

A key factor for businesses in the financial services sector is their reputation for financial probity and prudence. Recent examples of “rogue traders” impacting on such reputations elsewhere in the world have drawn attention to such risks. In our case with our important and valuable “brand”, we manage these risks through our strong internal controls and risk management regime, by comprehensive employee and operational manuals in key areas, and by the strength and independence of our Internal Audit and Compliance Department.

IT INFRASTRUCTURE

The Group seeks to maintain its leadership in traditional markets and secure a similar position in the evolving electronic market place. To this end, we have continued to invest in our application and technology infrastructure. In 2001, we completely revamped our in-house trading environment to ensure every sales person enjoyed the support of a robust dealing system and efficient market data services. The Group was also among the first batch of brokers to integrate with the systems of Hong Kong Exchanges, AMS/3 (equities) and ATS (futures), to provide straight-through processing (STP) for equities and futures trading. Meanwhile, our progressive development of SHKonline.com established it as one of the most popular online trading websites in Hong Kong.

Looking forward, we will continue our commitment to IT and seek to improve our services and product offerings through technological innovation.

商譽風險

誠實及審慎之商譽對金融服務業來說是一重要因素。最近於世界各地出現之詐騙案，使行內行外開始關注這方面之風險。「品牌」對我們來說實屬非常重要及珍貴，而藉著嚴謹之內部監控及風險管理，如推行全面之員工及營運守則，加上集團稽核及法規監核部之效能與獨立運作，致使我們成功管理這些風險。

資訊科技設備

為維持集團在傳統市場之領導地位及迎接電子市場上之挑戰，集團繼續投入資源發展其應用及科技設備。於二零零一年，集團成功更新內部交易系統，以確保每位經紀均能使用穩定交易系統及有效市場數據服務。集團更是首批證券商與香港交易所的系統，包括第三代自動對盤系統(股票)及自動交易系統(期貨)聯繫，提供直通式股票及期貨交易服務。鴻財網現逐漸發展成為本港其中一個最受歡迎之網上交易網站。

展望未來，集團將繼續投入資源發展資訊科技，透過創新科技提升服務質素及產品種類。

REGULATORY ENVIRONMENT

The Group operates in a heavily regulated environment and adopts a conscious policy of compliance culture and adherence. 2001 has been a challenging year for the Group in terms of the changes in the regulatory environment and the introduction of new products and services demanding consideration of the relevant legislation and regulations before commencement of operations. The most significant regulatory changes have been the requirements of the Securities and Futures Commission regarding strengthening of the business conduct of registered persons and the competence of licensed persons as provided in its Revised Code of Conduct, Guidance Notes on Continuous Professional Training, the Corporate Finance Adviser Code of Conduct and so on.

The Group responded to the changes promptly by undertaking various measures which include the amendment and distribution of customer agreements and other client-related documents in accordance with the requirements, the installing of additional telephone recording facilities for order instructions and the provision of continuous intensive training programmes so as to enable its employees to successfully carry out their duties competently and professionally.

A number of changes in the regulatory environment will be faced by the Group in the coming year. The enactment of the Securities and Futures Ordinance together with its subsidiary legislation and new regulations in the P.R.C. financial

監察環境

集團於一個受嚴格監管的环境下經營業務，並採取自行監管及遵守規則之政策。二零零一年對集團來說是極具挑戰性，除了要面對監察環境的轉變，於引入新產品及服務前亦必須慎重考慮有關法例及規則。法規上之主要改變在於證券及期貨事務監察委員會要求增強註冊人士的商業操守及持牌人的勝任能力，有關要求已列載於證監會註冊人操守準則修定本、持牌人進行持續培訓的指引及企業融資顧問操守等準則內。

集團已對有關修定作出即時相應措施，包括修改及分發客戶協議及其他與客戶相關之文件、就落盤指令裝置額外電話錄音設施，和提供持續訓練課程，以確保員工能專業地履行其職務。

集團於來年將繼續面對監察環境之轉變。證券及期貨條例與其附屬條例之制定，以及預期在中國正式加

industry following its official accession to the WTO will provide further challenges. The Group continues to maintain its policy of full commitment to compliance with the regulatory requirements so as to ensure that its businesses are conducted in the best interests of its clients in order to protect and safeguard their assets as well as the assets of shareholders.

EMPLOYEES

As of 31 December 2001, the total number of employees was 559.

The Group recognizes that its core strength is the people it employs and we operate different remuneration schemes according to role. For sales personnel, the package comprises a base pay or draw, and commission or bonus, whereas for non-sales personnel, it comprises base pay and performance-based bonus elements when circumstances are appropriate.

In addition, the Group has continued to focus on staff training to enhance employees' skills and product knowledge, as well as providing them with development and advancement opportunities. In January 2002, we launched a one-year Certificate Programme in Financial Studies in partnership with Hong Kong University School of Professional And Continuing Education.

入世後國內金融業即將通過新條例，將為集團帶來更多挑戰。集團會繼續貫徹其政策，致力遵守有關監管規則之要求，以確保其業務是在符合客戶的最佳利益、保障客戶及股東資產的大前提下運作。

僱員

截至二零零一年十二月三十一日，集團僱員人數共有559名。

集團為營銷及非營銷僱員設立不同的薪酬制度。以營銷僱員而言，酬勞包括底薪，另有佣金或花紅；而非營銷僱員則包括底薪及在適當情況下按表現發放的花紅。

此外，集團繼續致力於員工的培訓，以增強員工技能及對產品的認識，並為員工提供發展及進升機會。於二零零二年一月，集團更與香港大學專業進修學院合作，開辦了一個為期一年的金融財務專業證書課程。