



BUSINESS REVIEW

The Group's core businesses are securities and futures brokerage, securities margin financing, financial management advisory services and investment banking. The Group benefits from the rapidly recovery of the financial market in Hong Kong in the second half of 2003 and reported an audited net profit attributable to shareholders of HK\$8,148,000 for the year ended 31 March 2004, a remarkable improvement compared to last year's loss attributable to shareholders of HK\$42,731,000. Earnings per share amounted to HK1.8 cents (2003: loss per share of HK9.3 cents). The Group's turnover for the year totalled HK\$47,031,000 (2003: HK\$29,242,000), an increase of 60.8% over last year. During the year, the Group continued to apply a prudent credit policy and a more efficient cost control, the allowance for bad and doubtful debts and operating expenses (excluding the commission rebate to commission-based employees) were decreased compared to last year.

During the year, the Group has entered into a conditional subscription agreement on a HK\$30,000,000 convertible note issued by Asia Tele-Net Corporation Limited (Stock Code: 679) ("ATNT"), a company listed on the Stock Exchange. The funding of the subscription would be satisfied by internal resources of the Company. The transactions were approved by the independent shareholders of the Company at a special general meeting on 23 March 2004 and the convertible note was issued to the Group in May 2004. The convertible note bears an interest rate of 5% over the prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited per annum in case of the redemption of the convertible note by ATNT. Under the terms of the convertible note, the Group has an option to convert the note at HK\$0.20 per share within a two-year term and a maximum of 150,000,000 shares of ATNT can be converted. Therefore, upon full conversion, the Group will hold a maximum of 35.17% of ATNT and ATNT will effectively become an associate company of the Group. The investment will not only contribute interest income to the Group, but also provide the Group an opportunity to diversify its investment and expand to other business sector should the Group decides to exercise the option to convert. The business of ATNT includes electroplating equipment manufacturing, FPD process equipment and horizontal wet processing equipment business and entertainment production services business. With the global economic recovery, the Group is optimistic about the future prospect and share price of ATNT.

業務回顧

本集團之核心業務為證券及期貨經紀、證券保證金融資、理財顧問及投資銀行業務。本集團受惠於香港金融市場於二零零三年下半年開始復甦，截至二零零四年三月三十一日止年度錄得經審核股東應佔純利8,148,000港元，較去年股東應佔虧損42,731,000港元有顯著改善。每股盈利達1.8港仙(二零零三年：每股虧損9.3港仙)。本集團於年內之營業額合共47,031,000港元(二零零三年：29,242,000港元)，較去年上升60.8%。年內，本集團繼續採取嚴格風險管理措施及有效地控制成本，呆壞賬及經營費用(除去佣金予佣金制員工)都較去年下降。

年內，本集團與聯交所上市之亞洲聯網科技有限公司(股份代號：679)(「亞洲聯網」)簽訂一份有關發行可換股票據30,000,000港元之有條件性認購協議。認購此可換股票據之資金乃以本公司之內部資源撥付。交易已於二零零四年三月二十三日特別股東大會獲公司獨立股東會批准可換股票據及於二零零四年五月發行予本集團。如亞洲聯網贖回可換股票據，可換股票據乃按香港上海匯豐銀行有限公司公佈之最優惠借貸利率另加5厘之年息率計算。根據可換股票據之條款，本集團有權於兩年內按每股0.20港元轉換股票據，最多可轉換150,000,000股亞洲聯網股份。因此，於悉數轉換時，本集團最多持有亞洲聯網之35.17%權益，而亞洲聯網將成為本集團之聯營公司。此項投資不僅為本集團帶來利息收入，而倘本集團決定行使選擇權轉換可換股票據，更是本集團分散其投資及於其他範疇拓展業務之良機。亞洲聯網之業務包括電鍍設備製造業務、平面式顯示屏處理設備及水平式濕式處理設備業務及娛樂製作服務業務。隨著世界經濟復甦，本集團對亞洲聯網之前景及股價抱樂觀看法。



MARKET OVERVIEW

After the outbreak of the SARS as well as the Iraqi war last year, Hong Kong economy suffered severely and the investment sentiment of the financial market reached its trough. However, along with the launching of policies by the Mainland in the second half of 2003 which strengthened the economic development of Hong Kong including the signing of the CEPA with Mainland and the relaxation of travel restrictions on Mainland visitors to Hong Kong, and the adjustment of the existing land policies by the Hong Kong Government which included the restriction of land supply and stabilization of the property prices, the domestic economy recovered rapidly in the second half of 2003. Following the surge of retail consumption steered by "Individual Travel Scheme", the improvement of low-skilled workers' prospects, the recovery of the property market, the improvement of bad and doubtful debts level in the banking sector, the deceleration of personal bankruptcies, the persistence growth in cargo-freight business, as well as numerous huge Mainland enterprises aiming at raising capital through listing in Hong Kong, the confidence of investment market gradually improved. Hang Seng Index rose by 46.9% from 8,634 points on 1 April 2003 to 12,681 on 31 March 2004 and trading volume grew by 110.7% compared to the same period last year. The Group was able to capture the opportunities offered by the recovery of the Hong Kong economy and the stabilization of investor's confidence and therefore achieved better result compared to the last corresponding period.

SECURITIES, FUTURES AND OPTIONS BROKERAGE BUSINESS

The brokerage business reported growth in turnover to HK\$23,787,000 (2003: HK\$16,726,000), representing 42.2% increase over last year. Operating profit increased remarkably from loss of HK\$18,454,000 in last year to profit of HK\$5,563,000 in current year. The improvement in business outlook and investment sentiment was attributable to the dissipation of the stimulation on the economic development infrastructure by the Central Government and the influx of Chinese individual tourists. Hang Seng Index grew from 8,634 points on 1 April 2003 to 12,681 on 31 March 2004 and trading volume grew 110.7% compared to the same period last year. This business contributes 50.6% and 68.3% of the Group's turnover and net profit for the year respectively and will continue to be the key source of turnover and profit to the Group.

市場回顧

香港去年經歷非典型肺炎爆發，加上美國攻打伊拉克戰爭事件後，經濟備受嚴重打擊，金融市場投資氣氛更因而跌至低點，惟於二零零三年下半年開始中央實施一系列對香港經濟發展極為有利的政策包括香港與內地簽署更緊密經貿關係協議，放寬內地人士訪港旅遊限制，同時香港政府更改變原來的房屋政策，收緊土地供應，穩定樓價，香港經濟於二零零三年下半年起迅速回升。由於自由行帶動本地消費市場，改善低技術勞動人士就業問題，樓市復甦，銀行壞賬得到改善，破產宗數下跌，再加上香港貨運業務繼續增長，國內大型企業來港上市集資，投資市場信心逐步改善，恒生指數由二零零三年四月一日之8,634點上升至二零零四年三月三十一日之12,681點，升幅達46.9%，而交投量較去年同期上升110.7%。本集團把握香港經濟復甦及投資信心回穩之機會，取得較去年為佳之業績。

證券、期貨及期權經紀業務

經紀業務之營業額增至23,787,000港元(二零零三年：16,726,000港元)，較去年上升42.2%。經營溢利由去年虧損18,454,000港元，顯著改善至本年度錄得溢利5,563,000港元。中央政府推出配合有利於香港經濟發展的措施及中國個人旅客湧入令香港經濟得到改善，投資氣氛好轉。恒生指數由二零零三年四月一日之8,634點上升至二零零四年三月三十一日之12,681點，交投量較去年同期上升110.7%。經紀業務分別佔本集團之營業額及淨溢利之50.6%及68.3%，並將繼續為本集團營業額及溢利之主要來源。



FINANCIAL MANAGEMENT ADVISORY SERVICE

The financial management advisory service reported turnover totalled HK\$17,502,000 (2003: HK\$4,677,000) and operating profit of HK\$2,408,000 (2003: loss of HK\$394,000) which the turnover and operating profits were above last year. This remarkable improvement of turnover and operating profit was mainly due to further expansion of the business during the year. Currently, the Group has 71 financial planners who market and advise our clients on different investment plans which suit their needs. This business represents 37.2% and 29.6% respectively of the Group's turnover and net profit for the year. As the concept of personal financial planning is expected to widely accept by the customer, the Group expects this business will continue to growth healthily and become the core profit contributor to the Group.

SECURITIES MARGIN FINANCING

The securities margin financing business reported turnover of HK\$2,713,000 (2003: HK\$5,862,000), a 53.7% decrease over last year, and operating loss of HK\$796,000 (2003: loss of HK\$11,054,000), a 92.8% decrease of loss over last year. This business represents 5.8% of the Group's turnover for the year. Last year's result of this business included a provision for bad and doubtful debts of HK\$11,847,000 while current year's result had included a provision for bad and doubtful debts of HK\$2,767,000. Excluding such effect, the operating profit increased 148.5% compared to last financial year. With the recovery of the economy and the continuous application of a prudent credit policy, an improvement of provision for bad and doubtful debts of HK\$2,767,000 with the decrease of 76.6% was resulted. The Group will continue to uphold its prudent credit policy in providing securities margin financing business to customers.

理財顧問業務

理財顧問業務之營業額合共17,502,000港元(二零零三年: 4,677,000港元), 而經營溢利為2,408,000港元(二零零三年: 虧損394,000港元), 營業額及經營溢利較去年上升。本業務繼續擴展令營業額及經營溢利顯著提高。本集團現時聘用71名財務策劃員, 負責向客戶推銷及建議切合客戶需要之不同投資計劃。年內, 本業務分別佔本集團之營業額及淨溢利之37.2%及29.6%。由於預期個人理財概念在香港將會更被客戶接受, 預期本業務將會繼續穩健增長, 為本集團之核心溢利提供貢獻。

證券保證金融資業務

證券保證金融資業務錄得營業額2,713,000港元(二零零三年: 5,862,000港元), 較去年下跌53.7%, 而經營虧損為796,000港元(二零零三年: 虧損11,054,000港元), 虧損較去年下跌92.8%。年內證券保證金融資業務佔本集團之營業額5.8%。去年本業務之業績包括呆賬撥備11,847,000港元, 而本年度之業績包括呆賬撥備2,767,000港元。除去該影響外, 經營溢利較上一個財政年度增加148.5%。鑒於經濟復甦及繼續執行審慎之信貸政策, 呆賬撥備改善至2,767,000港元, 下降76.6%。本集團將繼續採取審慎之信貸政策, 為客戶提供靈活之證券保證金融資服務。



INVESTMENT BANKING

The Group began its investment banking business in 2001 and the business reported a healthy and stable growth. During the year, this business reported turnover of HK\$1,222,000 (2003: HK\$1,337,000), a decrease of 8.6% compared to last year. Although the turnover was decreased as compared to last year, with the application of a more efficient cost structure of the business during the year, the operating profit was improved to HK\$519,000 (2003: HK\$204,000), representing a 154.4% growth. This business, which mainly engages in providing financial advisory services for listed companies in Hong Kong, corporate finance advisory on merger and acquisitions and fund raising services via private placement, share placement and share offering, contributes approximately 2.6% and 6.4% to the Group's turnover and net profit respectively. During the year, this business has completed several transactions in financial advisory for companies listed on the Stock Exchange on notifiable transactions and acted as financial adviser for fund raising transactions of both listed and private companies. This business will continue its strategy of building a team which provides personal and professional services to the clients. With the recovery of the financial market in Hong Kong, the Group is confident that the business will report a healthy growth in the coming year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The financial position of the Group remained sound and healthy in this financial year. The Group's total shareholders' funds was HK\$116,277,000 at 31 March 2004 compared to HK\$108,129,000 last year. At 31 March 2004, the Group's cash and cash equivalents totalled HK\$66,526,000 (2003: HK\$49,959,000) which was mainly denominated in Hong Kong dollars.

The Group generally finances its operations with internally generated funds. Although the Group has obtained facilities which are renewable annually from several banks, the capital required for daily operations are generally met by the Group's internal resources. At 31 March 2004, the Group had no significant contingent liabilities and any bank borrowings.

DIVIDEND

The Directors will not recommend a final dividend (2003: Nil) at the forthcoming Annual General Meeting.

投資銀行業務

本集團自二零零一年起開展的投資銀行業務，業務一直平穩發展。年內，本業務之營業額為1,222,000港元(二零零三年：1,337,000港元)，較去年下跌8.6%，營業額雖較去年下跌，但由於本業務於年內有效地控制成本，本年度經營溢利有所改善至及519,000港元(二零零三年：204,000港元)，增長154.4%。本業務主要從事為香港上市公司提供財務顧問服務、就併購提供企業融資顧問及透過進行私人配售、股份配售及股份發售提供集資服務，分別佔本集團營業額及淨溢利約2.6%及6.4%。年內，本業務完成涉及就須予公佈交易向於聯交所上市之公司提供財務顧問服務之多項交易，亦擔任上市及私人公司集資交易之財務顧問。本業務將繼續以建立一隊向客戶提供專業服務之團隊為策略。鑒於香港金融市場復甦，本集團有信心，此項業務於來年將繼續穩健增長。

流動資金、財政資源及資金

本集團於本財政年度之財務狀況持續穩健。於二零零四年三月三十一日，本集團之股東資金總額為116,277,000港元，而去年為108,129,000港元。於二零零四年三月三十一日，本集團之現金及等同現金項目合共66,526,000港元(二零零三年：49,959,000港元)，主要以港元為單位。

本集團之營運資金主要來自內部現金資源。本集團雖獲多間本地銀行授予每年更新之貸款額度，但本集團一般以內部資源應付日常營運資金需求。於二零零四年三月三十一日，本集團並無或然負債或任何銀行借款。

股息

董事將不會於應屆股東週年大會上建議宣派末期股息(二零零三年：零)。



USE OF PROCEEDS RAISED FROM THE IPO

The Company's Shares were successfully listed on the Main Board of the Stock Exchange on 8 September 2000 and 52,500,000 new ordinary shares of HK\$0.10 each were offered to the public at HK\$1.20 per share, which raised a total of approximately HK\$63,000,000 for future expansion. The proceeds amounted to HK\$53,869,000, net of the relevant listing expenses. As stated in its annual report 2003, the balance of the net proceeds not yet utilized of approximately HK\$9,366,000 which contributed HK\$366,000 from the expansion of the sales team and promotion and HK\$9,000,000 from the setting up of additional branch offices.

During this financial year, the net proceeds for the expansion of the sales team and promotion was fully utilized. In view of the poor market condition for opening a new branch office due to the economic downturn since 2001, the Company has decided not to open an additional branch office and therefore the Company has re-allocated an amount of HK\$9,000,000 for setting up of an additional branch office for brokerage purposes to the subscription of convertible note issued by ATNT during the financial year.

HUMAN RESOURCES

At 31 March 2004, the Group employed total of 134 staff (2003: 111), with 48 full-time staff (2003: 51) and the related employee costs totalled HK\$10,197,000 (2003: HK\$14,316,000) and 86 commission-based employees (2003: 60). With the continuous application of tight cost control, the employee cost has reduced. The Group is an equal opportunity employer, with the selection and promotion of individuals based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group has a share option scheme for the purchase of ordinary shares in the Company.

首次公開發售股份所得款項之用途

根據本公司股份於二零零零年九月八日成功在聯交所主板上市，按每股新股份1.20港元價格向公眾發售總共52,500,000股每股面值0.10港元新普通股，集資額約為63,000,000港元，將用作日後拓展。扣除有關上市費用後，所得款項達53,869,000港元。誠如二零零三年年報所述，未動用所得款項淨額結餘約9,366,000港元，其中366,000港元來自擴大銷售及推廣隊伍，而9,000,000港元則來自設立額外分行。

本財政年度內，用於擴大銷售及推廣隊伍之所得款項淨額已悉數動用。鑒於自二零零一年出現經濟衰退以來，市況不利於開設新分行，因此本公司已決定不開設新分行，並將用作就經紀業務設立額外分行之款額9,000,000港元，於財政年度內重新分配，用以認購亞洲聯網發行之可換股票據。

人力資源

於二零零四年三月三十一日，本集團聘用共134名員工（二零零三年：111名），其中48名為全職員工（二零零三年：51名），而相關僱員成本合共10,197,000港元（二零零三年：14,316,000港元）及86名為佣金制員工（二零零三年：60名）。由於繼續採取嚴格之成本控制措施，僱員成本有所減少。本集團一向實現平等機會精神，挑選及晉升合適人士擔當適當職位。本集團為僱員提供富競爭力之薪酬及福利，在本集團之薪酬及花紅系統一般框架下，向僱員提供與表現掛鈎之酬金。本集團會每年檢討其薪酬及花紅制度。本集團有設立可購買本公司普通股之購股權計劃。



PROSPECTS

Although the market is still facing with the uncertainties brought from the bottoming-out of interest rate reaching its trough, the surge in oil prices, the increase of international terrorist activities and the kittle U.S. election, the Group is cautiously optimistic about the prospect of the Hong Kong economy. With U.S. and the global interest rate still hitting its historical low, the launching of various policies by the Mainland which serve to strengthen the economic development of Hong Kong including the arrangement of the CEPA between Hong Kong and Mainland, the PPRD, the relaxation of travel restrictions on Mainland visitors, the raising capital by Mainland corporations through listing in Hong Kong, together with the Hong Kong Government's shift of attitude towards the land policies, active assistance in developing Hong Kong's bond market and attain better regulatory standard for the local financial industry, all these factors contributes to render Hong Kong's goodwill as an international financial hub in the long-run.

With the recovery of the consumer market, the improvement of the labor market conditions, the more stable property prices, the improvement of the negative equities, the actively raising fund by Mainland enterprises in Hong Kong through IPO and the leverage on Hong Kong's position as a window to open up their overseas business as well as the foreign corporations treat Hong Kong as a gateway to the Mainland, the prospect of economic conditions in Hong Kong is still alive with hope.

The Group foresees that despite the keen competition among our industrial counterparts and from other local banking giants, a stable growth is expected to persist. The broking and securities margin financing businesses are able to benefit from the increase in market turnover. The financial advisory services would also able to gain from the increased demand for corporate finance transactions. The low interest rate environment, the development of bond market as well as the continuous recovery of the domestic economy will certainly pave for a stable growth in the wealth management industry. The Group is confident to achieve a stable growth in profit in the coming year.

NAM KWOK LUN

Deputy Chairman and Managing Director

Hong Kong, 19 July 2004

展望

雖然市場繼續受到利率見底回升、油價高企、國際恐怖活動事件增加、美國總統選情反覆等等因素困擾，但鑒於現時美國甚至全球息率仍然處於偏低水平，國內繼續落實多項有利香港經濟發展之政策，例如香港與內地更緊密經貿關係、泛珠三角區域合作計劃、放寬內地旅客到港旅遊措施、國內企業到港上市集資等等的安排，配合香港政府對土地政策的改變、積極協助發展香港債務市場、完善本地監管金融業條例等，長遠對鞏固香港金融中心地位十分有利。本集團對香港經濟前景仍然抱着審慎樂觀態度。

隨著消費市場復甦，勞動市場就業情況好轉，物業價格回穩，內地企業積極來港上市集資及利用香港作為發展海外業務的首要基地，海外機構亦把香港作為投資國內的重要橋樑，香港未來的經濟狀況仍然充滿活力。

本集團預測雖然面對同業及銀行業的競爭壓力，穩步發展之趨勢將可望持續，經紀業務及證券保證金融資業務將可望因為交投量增加而受惠，財務顧問業務將由於融資交易需求增加而受益，理財顧問業務將由於持續之低息環境、政府積極推動香港債務市場及本地經濟繼續復甦而穩健發展。本集團有信心在來年之盈利將可望達致穩定增長。

藍國倫

副主席兼董事總經理

香港，二零零四年七月十九日