

BUSINESS REVIEW

Results

During the year ended on 31 December 2005, the total revenue for the Group was approximately HK\$35,169,000 (nine months ended 31 December 2004: HK\$29,753,000). Profit attributable to shareholders was approximately HK\$13,845,000 (nine months ended 31 December 2004: HK\$45,684,000).

Market Overview

The market was locked in a tight trading range for the most period of the year whereas the activities were mainly dominated by derivative-linked trading. Genuine activities from retail investors were limited due to lack of direction but gradually improved in the last quarter of the year as they were encouraged by the strong rally in major overseas stock markets. The investment confidence and interests were rekindled by the successful listing and the superb post listing performance of the sizeable new shares. Public response to the new shares was enthusiastic and subscriptions in some issues have locked up hundreds billions of dollars in the capital market. The long-awaited share reforms of A-Shares had finally started and the initial feedback was positive. These induced a series of corporate activities on the related H-Shares including privatization of some H-Shares and triggered another round of shopping for the H-Shares. Coupled with the renewed speculation on RMB appreciation, more funds were attracted to Hong Kong to chase the bank and insurance stocks. In February of 2006, the HIS Services Limited announced its revolutionary change of preparing to accept H-shares conditionally as the constituent stocks for its Hang Seng Index calculation in its next review after six months. The sentiment on H-Shares was further heat up. Many funds have to increase their weightings in those potential target H shares to meet the future possible change of the constituent stocks of the Hang Seng Index. Prices of these stocks went up by more than 50% in a short period of time since October 2005. 2005 also represented a year of resource commodities in which prices of all major resources commodities

管理層討論及分析

業績

截至二零零五年十二月三十一日止年度，本集團的總收益約為35,169,000港元（截至二零零四年十二月三十一日止九個月：29,753,000港元）。股東應佔溢利約為13,845,000港元（截至二零零四年十二月三十一日止九個月：45,684,000港元）。

市場概覽

市場於年度內大部分時間窄幅上落，而活動主要是衍生工具相連交易。實際的個人投資活動不多，原因是缺乏方向，但在主要海外股市大幅反彈鼓舞下，年度內最後一季的活動已逐步增加。大型新股成功上市及上市後之優良表現，重新激發投資信心及興趣。公眾對新股的反應熱烈，若干招股的認購在資本市場凍結了數以千億計的資金。期待已久的A股股改終於開始，初步反應良好，亦引發起了與H股相關的一系列企業活動，包括部分H股的私有化，並觸發另一輪買入H股的活動。加上憧憬人民幣升值的投機活動再度興起，吸引更多資金流入香港追捧銀行及保險股。於二零零六年二月，恒指服務有限公司宣佈其革命性的變革，準備有條件接納H股作為成份股，並將在六個月後之下一次檢討中用於計算恒生指數。市場對H股的情緒進一步高漲。不少基金須增加潛在目標H股的比重，以配合恒生指數成份股未來可能出現變化。自二零零五年十月以來，這些股份的價格於短時間內上升超過50%。二零零五年亦是資源商品被開始看好的一年，由於全球經濟持續增長導致需求強勁，所有資源商品如石油、金屬及貴金屬的價格大幅暴漲。原油價格突破每桶70美元。金價則升上二十五年來的高位，超越每安士600美元，其他金屬價格亦持續

including oil, metal and precious metals shot up tremendously amid the strong demand from the persistent global economy growth. Crude oil price breached US\$70 per barrels. Gold price made a 25 year-high of over US\$600 per oz. Other metal prices continued to hit record highs. The strong performance in various commodities markets underpinned the investments in the resources stocks which all recorded impressive price appreciation and maintained an irrevocable upward movement. The successful listing of Link REITS in Hong Kong stock market marked a milestone of introducing a new type of listing securities and helped to attract additional sources of funds to invest in property business backed with high dividend payout. Likewise, it also helped to provide an additional fund raising vehicle for those property companies and have boosted up the investment interests in property counters. More REITS are expected to be listed in future. Yet, most of other local stocks remained stagnant and were generally ignored by the investors. Hang Seng Index registered a paltry gain of 4.54% to 14,876 and was the poorest performer among the major Asian markets. On the other hand, H-Index increased substantially by 12.4% to 5,330 after successive new highs. The up-trend extended to the first quarter of 2006 and continued to hit a record high at 6,700 level. Turnover of H-shares also escalated rapidly and in some days closely matched that of the blue chips.

The whole broker industry benefited from the sharp improvement of overall market activities. Hong Kong topped the most active derivative trading market among the major international stock markets. The daily trading of warrants in the active days took about 20% of the total market volume. Coupled with the related cash hedging, total turnover of the market rose by 13.9% to a new record of HK\$4,498 billion for 2005. Nevertheless, the Group A brokers still dominated the market and took the lion share of the volume. In fact, they played an important role in dictating the directions. The Stock Exchange of Hong Kong Limited (the "Stock Exchange") decided to implement its second and third stages of further narrowing the price spreads of the small price counters. Such narrow price spreads might curtail the day-trade activities of small investors with limited capital. Meanwhile, the Securities and Futures Commission of Hong Kong (the "SFC") proceeded with the proposal of capping the securities collateral re-pledging limits at 180% and eventually to 140% after a period of 12 months. The new rules theoretically aimed at shaping a healthy development for the industry but it will inevitably increase the capital requirements of the broker operators and naturally their interest burden. The return on investment in the industry looks less attractive as compared to the increasing risk liability. When the market suffers correction in volume, we would see the continued withdrawal of more marginal operators and further consolidation of the industry.

創下新高。各商品市場表現強勁，令資源股的投資受到支持，這些股份的股價均錄得可觀升幅，且其升勢一直強勁。領滙在香港股市順利上市，標誌引入新類別上市證券的里程碑，有助吸引更多資金投資於高派息率的地產業務，亦有助為地產公司提供額外的集資工具，同時亦增強了投資於地產股的興趣，預期未來將有更多房託基金上市。然而，大部分其他本地股份表現停滯不前，且整體受到投資者忽視。恒生指數只微升4.54%至14,876點，在主要亞洲市場中表現最差。另一方面，H-指數在屢創新高後大幅上升12.4%至5,330點。升勢延續至二零零六年首季，並繼續創下6,700點水平的新高。H股的交投量亦迅速上升，在某些日子更與藍籌股並駕齊驅。

整個經紀業受惠於整體市場活動轉趨活躍。香港在主要國際股市中仍是最活躍的衍生工具交易市場。在交投活躍的日子，認股權證的每日交易量可佔市場總交投量約20%。加上相關的股票對沖買賣，二零零五年市場的總交投量上升13.9%，達到44,980億港元的創新紀錄。然而，甲組經紀仍然主導市場，且佔去交投量的最大部分。事實上，他們在市場走勢方面有很重要的影響力。香港聯合交易所有限公司（「聯交所」）決定實施第二及第三階段進一步縮窄細價股價差的措施，縮窄的價差可能會減少資本有限的小型投資者的即日買賣活動。同時，香港證券及期貨事務監察委員會（「證監會」）並實施將證券保證金融資轉按上限設定為180%的建議，並於十二個月後最終降為140%。新的規則理論上旨在令行業得以健康發展，但無可避免會增加經紀行的資本要求，及其利息負擔。與不斷增加的風險責任比較，業內的投資回報吸引力下降，當市場的交投量出現調整，將有更多處在邊緣的經營者不斷退出，而行業亦會出現進一步的整合。

The positive factors for 2005 are likely to extend to 2006. The global economic recovery remains intact. In particular, Japan jumps out from the prolonged slump and adds additional growth momentum to the global economy. The speculation on RMB is not cooling down and continues to attract inflow of hot money into the domestic economy. Neither will China slow down to liberalize its financial policy by encouraging more outflows of funds to reduce the surplus balance of payment. A series of measures has been initiated to allow more insurance companies to invest overseas and the scheme of QDII (Qualified Domestic Institutional Investor) is also gradually carried out. In any case, the liquidity in the domestic capital market remains abundant and that enables the domestic interest rate to resist further upward pressure. H-Shares and China related counters are still the focus of investment. H-Shares hit successive historic records and the respective turnover also increased impressively. The growing dominance of H-shares was well accepted by the market and its surpassing over localized blue chips appeared to be a matter of time. In view of the bullish investment sentiment, more listings of new issues are in the pipeline. China Industrial and Commercial Bank and Bank of China representing the biggest ones in the fund raising amount, shall draw the greatest attention. Most likely it will bring another climax to the equity market. It is expected that the stock market for 2006 will continue to be active but may become more volatile as the movement is now being exaggerated by the leverage effects of active relevant derivative trading.

Securities, Futures and options brokerage Business

During the year, revenue for the Group's securities broking business and futures broking business as well as the underwriting commission, which accounted for 42.4% of total operating revenue, was HK\$14,910,000 (nine months ended 31 December 2004: HK\$12,299,000). Profit for the division was 914,000 (nine months ended 31 December 2004: loss of HK\$2,860,000). The division turned around to profit mainly attributing to the improvement of overall market turnover in the last quarter of 2005 and written back of bad and doubtful debts of approximately HK\$1,458,000. As the active market situation carried forward to 2006, performance is expected to achieve further significant growth in the coming year. Nonetheless, the market conditions remain tough especially in facing the very fierce competitions from the banks.

二零零五年的利好因素相信會延續至二零零六年。全球經濟復甦依然未受影響。特別是，日本走出長期的低迷境況，並為全球經濟注入增長動力。憧憬人民幣的投機活動未有冷卻下來，並繼續吸引熱錢流入國內和香港經濟體系。中國亦不會減慢放寬對財政政策的限制，並鼓勵更多資金外流以減低國際收支順差。一系列的措施經已開啟以容許更多保險公司投資海外及合資格本地機構投資者計劃得以逐步落實。在此情況下，香港資本市場的流動資金仍然充裕，令利率可抵禦進一步上升的壓力。H股指數及中國相關股份仍然是投資的焦點。H股屢創歷史紀錄，而相關的交投量亦顯著上升。H股不斷增加的優勢漸受市場接納，成交超越本地藍籌股看來只是時間問題。鑑於投資氣氛看漲，將有更多新股籌備上市。中國工商銀行及中國銀行由於集資額最為龐大，應會吸引最大的注意，到時將會把股市推向另一高峰。預期股市於二零零六年會繼續交投活躍，但表現將較為反覆，原因是其波幅受到相關衍生工具買賣的槓桿效應影響而有所擴大。

證券、期貨及期權經紀業務

年度內，本集團證券經紀業務及期貨經紀業務的收益與包銷佣金為14,910,000港元(截至二零零四年十二月三十一日止九個月：12,299,000港元)，佔總營業收益42.4%。本業務分部利潤為914,000港元(截至二零零四年十二月三十一日止九個月：虧損2,860,000港元)。本業務部門轉虧為盈，主要由於二零零五年最後一季整體市場交投量上升及呆壞帳回撥約14,458,000港元。由於市場交投轉趨活躍的情況延續至二零零六年，預期表現方面於來年會取得進一步的大幅增長。然而，市場環境仍然嚴峻，特別是面對來自銀行方面的激烈競爭。

Securities Margin Financing

During the year, interest income generated from securities margin loan portfolio accounted for 6.39% of the Group's revenue was to HK\$2,246,000 (nine months ended 31 December 2004: HK\$1,702,000). Profit for this division reached HK\$3,685,000 (nine months ended 31 December 2004: loss of HK\$175,000). Profit was mainly contributed by the written back of bad and doubtful debts of approximately HK\$3,313,000 and profit registered gains in line with the increase of the trading activities of the clients. The Group maintained consistently prudent and flexible margin financing policy to minimize its risk exposure in the volatile market environment in order to achieve high profitability for our shareholders.

Financial Management and Advisory Services

Revenue generated from financial management and advisory services was HK\$16,258,000 for the year (nine months ended 31 December 2004: HK\$ 13,946,000). Because of the stagnant global equity markets in the first half as well as fierce competitions from new competitors, the division faced new challenges during the year. In order to remain competitive, the Group, through the launch of TV advertisement and re-development of its websites, has taken steps to strengthen the corporate image and widen our product awareness to our target investors. At the same time, the division extends its service platform to new asset management business and MPF business in order to satisfy various clients' needs. In the coming years, the division will expand its consultant teams and explore the Greater China market in order to consolidate its leading position within the industry.

Investment Banking

Operating revenue generated by the investment banking business was HK\$1,640,000 this year (nine months ended 31 December 2004: HK\$1,371,000). Profit for the division were HK\$324,000 (nine months ended 31 December 2004: loss of HK\$619,000). The growth in revenue can be attributed to the recovery of the Hong Kong financial market and the consequent rise in demand for investment banking services from both public and private companies. During the year, the division secured a number of financial advisory mandates to provide corporate finance advisory services to both listed and unlisted companies. In addition, the division has also acted as financial adviser or independent financial adviser to several disclosable transactions executed by listed Hong Kong companies. With the stable recovery of the Hong Kong market, as well as the positive prospects emerging from the PRC, the division will take advantage of these opportunities by continuing to position itself as a premier boutique investment bank and offer tailor-made and cost effective services to our corporate clients.

證券保證金融資

年度內，來自證券保證金貸款組合的利息收入為2,246,000港元(截至二零零四年十二月三十一日止九個月：1,702,000港元)，佔本集團收益6.39%。本業務分部利潤為3,685,000港元(截至二零零四年十二月三十一日止九個月：虧損175,000港元)。由於呆壞帳回撥約3,313,000港元及與客戶的買賣活動增加一致，因此利潤有所增加。本集團一貫維持審慎及靈活的保證金融資政策，以盡量減低在波動市場環境中的風險水平，從而為股東爭取較高的盈利回報。

財務管理及諮詢服務

年度內，來自財務管理及諮詢服務的收益為16,258,000港元(截至二零零四年十二月三十一日止九個月：13,946,000港元)。由於全球股市於上半年停滯不前，加上來自新競爭對手的激烈競爭，本業務部門於年度內面對新的挑戰，為保持競爭力，本集團已透過推出電視廣告及重新開發其網站，採取措施加強其公司形象，同時擴大目標投資者對其產品的認知。同時，本業務部門並將其服務平台擴展至新的資產管理業務及強積金業務，以滿足不同客戶的需要。於未來數年，本部門將繼續擴充其顧問隊伍及開拓大中華市場，以鞏固其業內的領導地位。

投資銀行

本年度，來自投資銀行業務的營業收益為1,640,000港元(截至二零零四年十二月三十一日止九個月：1,371,000港元)。本業務分部利潤為324,000港元(截至二零零四年十二月三十一日止九個月：虧損619,000港元)。收益增加是由於香港金融市場復甦及隨後公私營公司對投資銀行服務的需求增加所致。年度內，本部門取得多項財務合約，為上市及非上市公司提供企業財務顧問服務。此外，本部門亦出任香港上市公司進行的多項須予披露交易的財務顧問或獨立財務顧問工作。隨著香港市場穩步復甦，加上中國所顯露的正面前景，本部門將利用這些機會，繼續將其定位於提高實際利益的投資銀行，並為企業客戶提供度身訂造及具成本效益的服務。

Material Acquisitions and Disposals of Associate Companies

On 7 April 2006, Surewin Management Limited (“Surewin”), the wholly-owned subsidiary of the Company and Holley International (Hong Kong) Limited (“Holley”) entered into a joint venture agreement to invest in Oriental Victor Limited of 50% interest. This joint venture company is in the process to obtain 30% interest in the exploration and production rights of oil in and throughout the Oil Field in Egypt (the “Oil Field”) and expects to possess of the concession rights of the Oil Field by the Egyptian Government around May 2006. Upon having obtained 30% interest in the exploration and production rights of oil in and throughout the Oil Field, Surewin will beneficially own 15% net effective interest in the exploration and production rights in relation to the Oil Field. In order to fulfill part of the capital commitment for participating in the exploration and production of the oil field in Egypt, Surewin is required to contribute approximately US\$7,000,000 (approximately HK\$54,600,000) by way of shareholder’s loan in stages according to the budgets of the Oil Field.

In order to finance the shareholder’s loan, the Company has on 13 April 2006 entered into the placing agreement to issue 17,000,000 new shares of the Company at HK\$1.73 each and grant the option to subscribe for the option shares of up to an aggregate of 17,000,000 shares of the Company at the exercise price of HK\$1.85 each during the option period of one year.

Holley, the strategic partner of the joint venture company, is a wholly-owned subsidiary of Holley Industry Group Company Limited (“Holley Group”). Holley Group is a private enterprise in PRC with diversified international business and Holley Group recorded a total sales of RMB11,000 million in the year 2005. With the international network and resources of Holley and same intention to further the business in the oil industry, we believe that we are in a better position to further our business in the oil industry in the future. The investment in the joint venture company can provide an opportunity for the Group to expand its business and diversify the Group’s current business and broaden its earning base in the long run.

Apart from this, there was no material acquisition and disposal of companies during the year.

有關聯營公司的重大收購及出售

於二零零六年四月七日，由本公司全資擁有附屬公司 Surewin Management Limited (「Surewin」) 與華立國際(香港)有限公司(「華立」) 訂立一項合營協議入股華興泰有限公司的50%權益，此合營公司正參與取得整個埃及油田(「油田」)開發及生產石油的30%權益，預期約於二零零六年五月獲埃及政府授油田特許權。在取得整塊油田的開採及生產權利的30%權益後，本公司將實益擁有有關油田開採及生產權利的15%實際淨權益。為履行參與取得整個油田開發及生產石油的30%權益之部份作出資本承擔，Surewin須以股東貸款的方式，出資約7,000,000美元(約54,600,000港元)，並按預算分階段支付。

為資本承擔提供資金，本公司已於二零零六年四月十三日訂立一項配售協議，以每股1.73港元的配售價認購17,000,000股配售新股份，及授出購股權，於為期一年的購股權期間內以每股1.85港元的購股權行使價認購總數達17,000,000股購股權股份。

合營公司之策略性夥伴華立為華立產業集團有限公司(「華立集團」)的全資附屬公司，華立集團為中國民營企業，從事多元化國際業務，於二零零五年，華立集團錄得銷售總額110億元人民幣。憑藉華立的國際網絡及資源，並與本公司均有相同理念發展石油業業務，董事深信本公司將穩佔優勢，向未來目標邁進一大步。此項投資有助擴闊本公司的盈利基礎，長遠有助加強本公司的現金流量狀況。

除此之外，年度內並無有關聯營公司的重大收購及出售。

Liquidity, Financial Resources and Funding

The Group generally finances its operation with internally generated cash flows. The Group has no bank borrowings apart from occasional utilization of overdraft facilities. As at 31 December 2005, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK\$36,973,000 (31 December 2004: HK\$47,718,000).

Human Resources

As at 31 December 2005, the Group employed a total of 126 staff (31 December 2004: 123) of which, 81 were commissioned based (31 December 2004: 82) and the total related staff cost amounted to HK\$10,642,000 (nine months ended 31 December 2004: HK\$7,422,000). The Group maintained minimum overhead expenses to support the basic operation and dynamic expansion of its business. The future staff costs will be more directly linked to the performance of business turnover and profit, enabling the Group to respond flexibly with the changes of business environment.

Final Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2005 (nine months ended 31 December 2004: Nil).

NAM KWOK LUN

Deputy Chairman and Managing Director

Hong Kong, 25 April 2006

流動資金、財務資源及資金

本集團一般以內部產生的現金流量為其業務提供資金。除偶然動用透支額外，本集團並無銀行借貸。於二零零五年十二月三十一日，本集團的現金及現金等價物（不包括一般賬戶的已抵押固定存款）為36,973,000港元（截至二零零四年十二月三十一日止九個月：47,718,000港元）。

人力資源

於二零零五年十二月三十一日，本集團僱用126名員工（二零零四年十二月三十一日：123名），其中81名（二零零四年十二月三十一日：82名）為佣金制，相關員工成本總額為10,642,000港元（截至二零零四年十二月三十一日止九個月：7,422,000港元）。本集團維持最低的間接開支，以支持其業務的基本營運及不斷擴充。未來員工成本將更直接與營業額及利潤掛鉤，讓本集團可因應商業環境轉變而靈活作出回應。

末期股息

董事會並不建議派發截至二零零五年十二月三十一日止年度（截至二零零四年十二月三十一日止九個月：無）任何末期股息。

藍國倫

副主席兼董事總經理

香港，二零零六年四月二十五日