

INTERIM RESULTS

The Board of Directors (“the Board”) of Karl Thomson Holdings Limited (“the Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2002 together with the comparative figures for the corresponding period in 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

		Six months ended 30 September	
	<i>NOTES</i>	2002 <i>HK\$'000</i> <i>(unaudited)</i>	2001 <i>HK\$'000</i> <i>(unaudited)</i>
Turnover	3	15,941	18,554
Other operating income		204	199
Allowance for bad and doubtful debts		(2,555)	—
Amortisation of intangible assets		(1,842)	(4,035)
Depreciation		(997)	(745)
Finance costs		(70)	(45)
Impairment loss recognised in respect of the license and right to use a website and trademark	7	(22,690)	—
Impairment loss recognised in respect of the license to use technical knowhow and Webtrade products	7	(6,362)	—
Other operating expenses		(10,636)	(12,280)
Staff costs		(7,785)	(8,814)
Loss before taxation	3	(36,792)	(7,166)
Taxation	4	—	(485)
Loss before minority interests		(36,792)	(7,651)
Minority interests		17,615	2,457
Net loss for the period		(19,177)	(5,194)
Basic and diluted loss per share	5	HK(4.17) cents	HK(1.15) cents

**CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2002**

		30 September 2002	31 March 2002
	<i>NOTES</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(audited)</i>
NON-CURRENT ASSETS			
Fixed assets	6	4,945	4,037
Intangible assets	7	41	30,935
Other assets		4,175	4,175
		<u>9,161</u>	<u>39,147</u>
CURRENT ASSETS			
Accounts receivable	8	72,077	116,346
Investments in securities		32	13
Loans receivable	9	899	—
Other receivables, prepayments and deposits		2,089	2,343
Taxation recoverable		1,610	1,224
Bank balances			
- trust and segregated accounts		20,649	23,920
Bank balances (general accounts) and cash		48,759	22,417
Pledged fixed deposits			
- general accounts	10	7,515	7,411
		<u>153,630</u>	<u>173,674</u>
CURRENT LIABILITIES			
Accounts payable	11	27,480	39,557
Accrued expenses and other payables		1,679	2,429
Obligations under finance leases			
- amount due within one year		772	677
Taxation payable		6	6
		<u>29,937</u>	<u>42,669</u>
NET CURRENT ASSETS		<u>123,693</u>	<u>131,005</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		132,854	170,152
NON-CURRENT LIABILITIES			
Obligations under finance leases			
- amount due after one year		142	648
NET ASSETS		<u>132,712</u>	<u>169,504</u>
CAPITAL AND RESERVES			
Share capital	12	46,000	46,000
Reserves	13	85,683	104,860
TOTAL CAPITAL AND RESERVES		<u>131,683</u>	<u>150,860</u>
MINORITY INTERESTS		<u>1,029</u>	<u>18,644</u>
		<u>132,712</u>	<u>169,504</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002**

	Total equity <i>HK\$'000</i>
At 1 April 2001	143,634
Net loss for the period	(5,194)
Shares issued at premium	68,520
At 30 September 2001 and 1 October 2001	206,960
Net loss for the period	(68,210)
Fair value of share options issued for consultancy services provided by Chestrich Investments Limited ("Chestrich")	12,110
At 31 March 2002 and 1 April 2002	150,860
Net loss for the period	(19,177)
At 30 September 2002	131,683

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002**

	Six months ended	
	30 September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
NET CASH FROM (USED IN)		
OPERATING ACTIVITIES	28,896	(15,702)
NET CASH (USED IN)		
FROM INVESTING ACTIVITIES	(2,039)	2,468
NET CASH USED IN FINANCING ACTIVITIES	(411)	(200)
INCREASE (DECREASE)		
IN CASH AND CASH EQUIVALENTS	26,446	(13,434)
CASH AND CASH EQUIVALENTS		
AT THE BEGINNING OF PERIOD	29,828	81,081
CASH AND CASH EQUIVALENTS		
AT THE END OF PERIOD	56,274	67,647
ANALYSIS OF THE BALANCE		
OF CASH AND CASH EQUIVALENTS		
Bank balances (general accounts) and cash	48,759	65,579
Pledged fixed deposits - general accounts	7,515	2,068
	56,274	67,647

NOTES:

1. BASIS OF PREPARATION

The Company is an investment holding company. The principal activities of its subsidiaries are the provision of financial services, including stockbroking, futures and options broking, securities margin financing services and operation of distribution platforms for online advertising.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2002.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the HKSA. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest expense and dividends paid, which were previously presented under a separate heading, are classified as operating and financing cash flows respectively. Cash flows from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

3. SEGMENT INFORMATION

The turnover and segment results of the Group, analysed by principal activity, were as follows:

	Broking		Securities margin financing		Operation of distribution platforms		Others		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30.9.2002	30.9.2001	30.9.2002	30.9.2001	30.9.2002	30.9.2001	30.9.2002	30.9.2001	30.9.2002	30.9.2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	<u>10,547</u>	<u>14,600</u>	<u>3,506</u>	<u>3,423</u>	<u>8</u>	<u>108</u>	<u>1,880</u>	<u>423</u>	<u>15,941</u>	<u>18,554</u>
Segment (loss) profit	<u>(8,454)</u>	<u>(2,160)</u>	<u>(1,729)</u>	<u>732</u>	<u>(24,642)</u>	<u>(5,589)</u>	<u>(1,545)</u>	<u>216</u>	<u>(36,370)</u>	<u>(6,801)</u>
Unallocated expenses									<u>(422)</u>	<u>(365)</u>
Loss before taxation									<u>(36,792)</u>	<u>(7,166)</u>

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements for the six months ended 30 September 2002 as the Group incurred tax losses for the period.

Hong Kong Profits Tax for the six months ended 30 September 2001 was calculated at 16% on the Group's estimated assessable profits for that period.

The Group did not have any significant unprovided deferred taxation for the period or as at the balance sheet date.

5. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Net loss for the period attributable to shareholders	<u>(19,177)</u>	<u>(5,194)</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>460,000</u>	<u>449,727</u>

The computation of the diluted loss per share for the six months ended 30 September 2002 does not assume the exercise of Company's options as their exercise prices were higher than the average market price of the Company's shares for year 2002.

6. FIXED ASSETS

During the period, the Group acquired computer equipment and furniture and fixtures at an aggregate cost of approximately HK\$2,125,000.

7. INTANGIBLE ASSETS

	Trading rights <i>HK\$'000</i>	License and right to use a website and trademark <i>HK\$'000</i>	License to use technical knowhow and Webtrade products <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2002 and 30 September 2002	<u>50</u>	<u>120,978</u>	<u>7,420</u>	<u>128,448</u>
AMORTISATION AND IMPAIRMENT				
At 1 April 2002	6	96,978	529	97,513
Provided for the period	3	1,310	529	1,842
Impairment loss (<i>Note</i>)	—	22,690	6,362	29,052
At 30 September 2002	<u>9</u>	<u>120,978</u>	<u>7,420</u>	<u>128,407</u>
CARRYING VALUES				
At 30 September 2002	<u>41</u>	<u>—</u>	<u>—</u>	<u>41</u>
At 31 March 2002	<u>44</u>	<u>24,000</u>	<u>6,891</u>	<u>30,935</u>

Trading rights represent two trading rights in The Stock Exchange of Hong Kong Limited (the "SEHK") and one trading right in The Hong Kong Futures Exchange Limited (the "HKFE").

Trading rights are amortised over 9 years, license and right to use a website and trademark were amortised over 10 years, and license to use technical knowhow and Webtrade products were amortised over 7 years.

Note: The Directors, having taken into account the revenues generated from the operation of distribution platforms for online advertising during the period, the prevailing uncertain and sluggish economic condition and the estimated future cash flows generated from the operation of the platforms, recognise an impairment loss of HK\$22,690,000 in respect of the license and right to use a website and trademark.

In addition, due to the uncertain prospect of online securities trading business in Hong Kong, the Directors thus have recognised an impairment loss of HK\$6,362,000 in respect of the license to use technical knowhow and Webtrade products by reference to the estimated cash flows to be generated from the online securities trading platforms.

8. ACCOUNTS RECEIVABLE

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of dealing in securities:		
- Cash clients	12,680	25,366
- Hong Kong Securities Clearing Company Limited ("HKSCC")	—	4,214
Accounts receivable from HKFE Clearing Corporation Limited ("HKFECC") arising from the ordinary course of business of dealing in futures contracts	788	1,320
Loans to securities margin clients	58,609	85,446
	<u>72,077</u>	<u>116,346</u>

The settlement terms of accounts receivable from cash clients, HKSCC and HKFECC are one to four days after the trade date.

Loans to securities margin clients are secured by clients' pledged securities, repayable on demand and bear interest at prevailing market rates. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

9. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	30 September 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Matured within 90 days	220	—
Matured between 91 days to 180 days	179	—
Matured between 181 days to 365 days	500	—
	<u>899</u>	<u>—</u>

10. PLEDGED FIXED DEPOSITS

The Group had pledged fixed deposits of HK\$7,515,000 (31 March 2002: HK\$7,411,000) to banks to secure general banking facilities granted to the Group.

11. ACCOUNTS PAYABLE

	30 September	31 March
	2002	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable arising from the ordinary course of business of dealing in securities:		
- Cash clients	20,938	35,415
- HKSCC	2,586	—
Accounts payable to clients arising from the ordinary course of business of dealing in futures contracts	2,128	2,817
Amounts due to securities margin clients	1,828	1,325
	<u>27,480</u>	<u>39,557</u>

The settlement terms of accounts payable to cash clients and HKSCC are two to four days after the trade date.

Accounts payable to clients arising from the ordinary course of business of dealing in futures contracts are margin deposits received from clients for their tradings of futures contracts on the HKFE. The excesses of the outstanding amounts over the required margin deposits stipulated by the HKFE are repayable to clients on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

Amounts due to securities margin clients are repayable on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

12. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 31 March 2002 and 30 September 2002	1,000,000	100,000
Issued and fully paid:		
At 1 April 2001	210,000	21,000
Issued in consideration for the acquisition of subsidiaries	20,000	2,000
Issue of bonus shares by capitalisation of share premium account	230,000	23,000
At 31 March 2002 and 30 September 2002	460,000	46,000

13. RESERVES

	Share premium HK\$'000	Special reserve HK\$'000	Goodwill reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2001	33,069	29,140	(13,950)	—	74,375	122,634
Shares issued at premium for the acquisition of subsidiaries	66,520	—	—	—	—	66,520
Capitalisation	(23,000)	—	—	—	—	(23,000)
Net loss for the period	—	—	—	—	(5,194)	(5,194)
At 30 September 2001 and 1 October 2001	76,589	29,140	(13,950)	—	69,181	160,960
Fair value of share options issued for consultancy services provided by Chestrich	—	—	—	12,110	—	12,110
Net loss for the period	—	—	—	—	(68,210)	(68,210)
At 31 March 2002 and 1 April 2002	76,589	29,140	(13,950)	12,110	971	104,860
Transfer upon termination of the consultancy services provided by Chestrich	—	—	—	(12,110)	12,110	—
Net loss for the period	—	—	—	—	(19,177)	(19,177)
At 30 September 2002	76,589	29,140	(13,950)	—	(6,096)	85,683

The special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation.

14. SHARE OPTIONS

The movements in the share options of the Company during the six months ended 30 September 2002 are as follows:

- (a) Share options granted under the share option scheme of the Company approved on 16 August 2000:

Name of directors	Exercise price per share HK\$	Date of grant	Exercise period	Number of share options outstanding at	
				1 April 2002 and	30 September 2002
Lam Kwok Hing	1.675	4 June 2001	7 June 2001 - 6 June 2004		10,500,000
Nam Kwok Lun	1.675	4 June 2001	7 June 2001 - 6 June 2004		10,500,000

- (b) Other share options granted:

Name	Exercise price per share HK\$	Date of grant	Exercise period	Number of share options		
				Outstanding at 1 April 2002	Cancelled during the period	Outstanding at 30 September 2002
Chestrich	1.9	29 June 2001	29 June 2001 - 28 June 2003	44,000,000	(44,000,000)	—

During the period, the Group terminated the consultancy agreement entered into with Chestrich and cancelled the options granted to Chestrich without paying or receiving any compensation.

15. CAPITAL COMMITMENTS

Since the last annual reporting date, the Group has settled its commitments of HK\$286,000 for the acquisition of computer equipment.

The Company did not have any significant capital commitment at the balance sheet date.

16. CONTINGENT LIABILITIES

Pursuant to the shareholder agreement entered into between the Group and GL Trade SA (the "Shareholders' Agreement"), the Group shall transfer up to a maximum of 3,000 customers to KTG Trade Limited. During the year ended 31 March 2002, the Group provided a list of existing customers' account numbers to GL Trade SA and KTG Trade Limited and a subsidiary of the Company received HK\$28,080,000 from KTG Trade Limited. Under the Shareholder Agreement, the Group will meet its obligation of transferring 3,000 customers to KTG Trade Limited only if the transferred customers meet the trading volume as set out in the Shareholder Agreement at the end of twelfth month from the date of KTG Trade Limited being fully operational. In the event that the number of customers transferred is less than 3,000, the Group shall pay to KTG Trade Limited US\$1,200 for each number of account of the shortfall. If the Group fails to pay by the end of thirteenth month from the date of KTG Trade Limited being fully operational (the "Payment Date"), GL Trade SA shall have the option to purchase a maximum 35% equity interest in KTG Trade Limited from the Group at US\$1,000 for every one per cent of the share capital of KTG Trade Limited as at the date of incorporation of KTG Trade Limited. The option shall be exercised within three months from the Payment Date.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2002 (2001: Nil).

CHAIRMAN'S STATEMENT

During the period under review, the Group continued to focus on providing diversified financial services to its clients. Services provided by the Group include stockbroking, securities margin financing, financial consultation and investment advisory services. However, the external economic sentiment remained sluggish in the first half of 2002. Economic performance in the U.S. showed no significant improvement. High oil prices once again triggered worries about economic recession in the market, raising concerns that it would be difficult for revival of the global economy at a fast pace. Hong Kong's financial market as a whole continued to be beset by the economic slump. As announced by The Hong Kong Exchanges and Clearing Limited, as of 20 December 2002, there were 117 companies newly listed during the year, representing a 33% growth compared to the previous year. Among the newly listed companies, 60 of them were listed on the Main Board and the other 57 companies were listed on the GEM. For the year ended, the securities market raised a total of HK\$107.8 billion, 67% higher than the previous year. However those satisfied figures recorded had no stimulating effect on the turnover of Hong Kong's stocks. The daily average turnover shrank to below HK\$6.8 billion, representing a year-on-year decrease of approximately 18%. Inevitably, the Group's business was also hit. In order to realize the globalization and diversification of the Group's business in the long run, the Group continued to trim expenditure and consolidate operation structure as a move to exercise strict control on the operation costs. During the period, the Group's operation expenses were reduced by 13.39% compared to last year. We shall be committed to take shareholders' interests our top priority through efficiency enhancement, and at the same time we shall endeavour to explore opportunities in the potential areas in order to increase the Group's market share, hence its source of income.

Compared to the corresponding period of the previous year, the Group recorded a decrease of 14.08% in turnover to HK\$15,941,000 (2001:HK\$18,554,000) during the first half of the year. Hong Kong's economy experienced structural adjustments during the period under review. Amid the weak demand in local consumption, deflationary pressure, high unemployment rate, personal bankruptcy hitting all-time highs and depressed business sentiment, the business environment in its rigor is yet to improve. Troubles never come singly, participants in the securities broking industry suffer further as more and more banks extended their business into the industry. These adverse factors had resulted in the Group having recorded an unaudited loss of HK\$19,177,000 attributable to shareholders during the period (2001:HK\$5,194,000), while loss per share amounted to HK4.17 cents. Excluding amortisation of intangible assets and impairment loss for HK\$30,894,000, actual operating loss recorded by the Group before minority interests was HK\$5,898,000.

The Board has not recommended payment of any interim dividend for the six months ended 30 September 2002 (2001:Nil).

As of 30 September 2002, the Group's cash and bank balances was HK\$56,274,000, representing an increase of HK\$26,446,000 compared to that as at 31 March 2002, which shows that the Group's financial position remains sound. For the six months ended 30 September 2002, the Group did not have any significant acquisition or disposal, nor had any plan for material investment or assets acquisition.

Market Review

The regional and global economic condition for the first half of 2002 was sluggish and unstable, where the impact of recession is yet to recede. Deteriorating commercial environment and unemployment had wrought havoc to the local consumption as well as the keenness to make investment. The forth successive year of deflation continues to undermine all sectors, leading to further lowering in property prices, rents and wages, which has in turn resulted in a decrease in costs and prices. Dumping sales at huge discounts were launched one after another, and it is believed that no visible improvement can be observed in the near future. The Federal Open Market Committee further lowered 0.5% in interest rate on 6 November 2002, which is an indirect admission that the economy is still under the breath of deterioration. However, a low-interest environment is favourable to business activities and helps to improve the corporate financial position, making it possible for companies to recover from the adversity. With changes in the operating environment, the Group had made great efforts to control costs with a view to get the better of the competitive environment.

In early 2002, a brief rebound was seen in the stock market as a result of the increase in trading of the technology shares in the United States. However, upon the unveiling of accounting scandals of large-scaled corporations in the United States, deterioration of the employment market, lack of business confidence, the uncertainty on the risk of war between the United States and Iraq, investor sentiment plunged and turned to other safe haven assets other than stocks capital. Although the Hang Seng Index fell below 8,800 in early October, under the favourable conditions such as the lowering of interest rate in the United States, stabilization measures imposed on the property management announced by the Hong Kong Government and the strong performance of the overall domestic export, the stock market of Hong Kong returned from a wobbly to a steady pace at the end of the year. The Index rebounded for two successive months to reach a high of 10,247 on 3rd of December 2002.

Impairment Loss

Continuous slow-down of the economy, uncertainty of the investment environment and the cutting of corporate expenses led to difficulties in recovering the resources spent on advertisements. As it was, further to the provision for impairment loss of HK\$86,897,000 provided for the year ended 31 March 2002 for the investment in online advertising promotional platform LuckySurfAsia.com, after careful review and the anticipation of cash flow to be generated by the operation of the platform in the future, the Board decided to make a provision for further impairment loss of an aggregate of HK\$22,690,000 for the license and rights for the use of website and trademark.

The securities industry in the territory continued to face difficult operating environment and keen competition which directly undermined the development of online business for security trading. The Board is of the view that the operating income of its online securities transaction platform is not able to generate significant revenue for the Group. After careful consideration, the Board decided to make an impairment loss of HK\$6,362,000 for the license of the use of expertise and online transaction products.

Brokerage Business

During the period under review, the local economic environment had seen no significant improvement and the investment sentiment remained adverse, as a result, trading of shares in Hong Kong continued to be sluggish. During the period under review, the Group recorded a total of HK\$10,547,000 in income from brokerage and underwriting commission of the trading of securities, futures and options, representing a decrease of 27.76% for the corresponding period of last year (2001: HK\$14,600,000). The commission income represented 66.16% of the gross operating income.

Securities Margin Financing

The Group recorded an interest income of HK\$3,506,000 generated from securities margin financing during the period under review, representing an increase of 2.42% (2001:HK\$3,423,000 over the same period last year). The Group's consistent prudent business strategies and risk management measures has been very effective during the period under review, whereby bad and doubtful debts for this business segment had been reduced to a minimum level.

Investment Banking

In respect of corporate finance and financial advisory service, Karl Thomson Financial Advisory Limited, the Company's subsidiary has been proactive to offer financial advisory services or independent financial advisory services and participate in new issues and placing of shares for listed companies on the Main Board of the SEHK.

Financial Management Advisory Service

On top of traditional transaction means and sales of investment products, the Group has been proactive in providing comprehensive investment and financial management advisory services through its wholly-owned subsidiary, Karl Thomson Investment Consultants Limited. Our seasoned financial planners adopt a prudent approach to design investment portfolios tailor-made for our clients. With the interests of our clients at the forefront of our minds, we endeavour to pursue the objective of value-adding to the wealth of our clients. The Group develops close connection with internationally renowned asset management companies. It participates as an agent in the sales of fund and in insurance brokerage services, in which remarkable results have been achieved.

Financial Position

Amid the unrelenting operation environment, the financial position of the Group remained sound and healthy. As at 30 September 2002, the total shareholders fund stood at HK\$131,683,000 (2001: HK\$206,960,000). In the same period, the Group has made a provision of HK\$2,555,000 for bad and doubt debts (2001: nil), which represents a safe level compared with the accounts receivable of the Group of HK\$72,077,000.

Liquidity, Financial Resources and Funding

The Group generally finances its operation with internally generated cash flows. As at 30 September 2002, the Group has cash on hand and cash equivalent of approximately HK\$56,274,000 (2001: HK\$67,647,000), a decrease by 16.81% compared with the same period of last year. Although the Group has obtained facilities which are renewable annually from several banks, the capital required for daily operations are generally met by the utilization of the Group's internal resources. The Group has no bank borrowings apart from the occasional utilization of overdraft facilities and a fixed deposit of approximately HK\$7,515,000 pledged to a bank to secure general banking facilities. The facilities required for the securities margin finance operations are secured by the securities of margin clients.

Human Resources

The Group continues with its prudent strategy, whereby its sales and marketing team will be aggressively expanded with a view to increasing its market share in the retail market. At 30 September 2002, the Group had 72 employees (2001: 84). It determines the remuneration of its staff according to the practice in the sector and the performance of individual employees. The Group has also adopted an option scheme for its senior staff. No option has been exercised by any grantee pursuant to the scheme.

The Group places great emphasis on the training of its staff and the overall quality of its management. In order to enhance the competitiveness of its staff and to follow closely to changes of the marketplace, it has regularly planned continued training programmes for its staff.

Prospect

With China's accession to the World Trade Organization, the progress of market orientation will speed up. Following the conclusion of the 16th National People's Congress, financial policies will be liberalized step by step, and reforms for the sector will be further implemented, bringing more opportunities of development for the market. With China's economy taking off at a high speed, the comprehensive financial infrastructure of Hong Kong becomes a complementary force for the economic development of China, and in the wake of the closer and closer economic cooperation between Hong Kong and China, the various sectors of Hong Kong will benefit either directly or indirectly.

The GDP of Hong Kong enjoyed a real increase of 3.3% in the third quarter of the year, comparing with the increase of 0.8% in the second quarter, it represents a marked improvement. As the unemployment rate of Hong Kong fell for four month on ends, it indicates that the economy of Hong Kong has ridden out the worst time, and is now on the health track of recovery.

As before, the Group will continue to capture and seize every opportunity brought forth by the global economic recovery, so as to add value to its clients and to consolidate its market position.

ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

1. Shares

At 30 September 2002, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which were required to be notified to the Company and the SEHK pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or Part I of the Schedule to the SDI Ordinance) or which were required pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the SEHK were as follows:

Name of directors	Type of interest	Total number of shares
Lam Kwok Hing (<i>Note</i>)	Corporate	290,026,000
Nam Kwok Lun (<i>Note</i>)	Corporate	290,026,000

Note: The shares are registered in the name of and beneficially owned by J&A Investment Limited ("J&A"). The entire issued share capital of J&A is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

2. Options

Pursuant to the share options scheme of the Company approved by the written resolution of the sole shareholder of the Company on 16 August 2000 (the "Scheme"), the Board may, at its discretion, invite any employee including any Executive Director of any company in the Group, to take up options to subscribe for shares in the Company. The purpose of the Option Scheme is to provide incentives to the participants. The Option Scheme will expire on 15 August 2010.

At 30 September 2002, the Directors have personal interests in share options to subscribe for shares in the Company as follows:

Name of director	Exercise price per share HK\$	Date of grant	Exercise period	Number of share options outstanding at 31 March 2002 and 30 September 2002
Lam Kwok Hing	1.675	4 June 2001	7 June 2001-6 June 2004	10,500,000
Nam Kwok Lun	1.675	4 June 2001	7 June 2001-6 June 2004	10,500,000
				21,000,000

The share options were granted on 4 June 2001, each of which enables the holder to subscribe for one share in the Company at an exercise price of HK\$1.675 (initial exercise price was HK\$3.35, adjusted on 14 September 2001 pursuant to the 1 to 1 bonus issue of shares of the Company). No options was exercised by the Directors from the date of options granted to the six months ended 30 September 2002.

Save as disclosed above, as at 30 September 2002, none of the Directors or chief executives, nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors or chief executives, nor their spouses or children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, according to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, the following shareholder was interested in 10% or more of the Company's issued share capital:

Name of shareholder	Number of shares	Percentage of shareholding
J&A (<i>Note</i>)	290,026,000	63.05%

Note: J&A is a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

Save as disclosed above, at 30 September 2002, there is no person known to any Director or chief executive of the Company, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any member of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

AUDIT COMMITTEE

The Audit Committee, which comprises of two independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements and this report.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period under review, in compliance with Appendix 14 of the Listing Rules, except that independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Bye-Laws of the Company.

By Order of the Board
Lam Kwok Hing
Chairman

24 December 2002