

## Notes to Condensed Financial Statements

### 1. Principal Accounting Policies

This unaudited condensed consolidated interim financial report has been prepared in accordance with the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is in compliance with the Statements of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2002 except for the adoption of SSAP 12 (Revised) “Income taxes”. This SSAP principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant differences to the extent it is probable that the liability will crystallise in the foreseeable future, a deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The principal impacts of the revision of this SSAP are that opening retained profits at 1 January 2003 and 1 January 2002 have been increased by HK\$654,000 and HK\$678,000 respectively, and the comparative amount in respect of taxation for the prior period has been reduced by HK\$68,000.

### 2. Segment Information

The Group’s operating business can be analysed primarily by business segments. The summarised details of the business segments are as follows:

- (a) securities trading and investment holding
- (b) securities broking and dealing
- (c) securities financing and direct loan
- (d) investment advisory services

The Group’s inter-segment sales and transfers are transacted with reference to terms and conditions as used for such similar transactions with third parties.

## 2. Segment Information (continued)

The following table represents unaudited turnover and results for the Group's business segments for the period ended 30 June.

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loan		Investment advisory services		Eliminated on consolidation		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Restated		Restated		Restated		Restated		Restated		Restated	
Segment turnover:												
External customers	42,290	87,591	16,765	25,367	14,302	19,085	2,364	4,236	–	–	75,721	136,279
Inter-segment	–	–	–	–	–	–	1,253	1,342	(1,253)	(1,342)	–	–
Total	42,290	87,591	16,765	25,367	14,302	19,085	3,617	5,578	(1,253)	(1,342)	75,721	136,279
Segment results	(1,614)	11,530	(15,124)	(10,061)	10,134	6,971	(83)	1,795	–	–	(6,687)	10,235
Unallocated expenses											(1,976)	(3,169)
Profit/(loss) from operating activities											(8,663)	7,066
Finance costs											(25)	(30)
Share of profits/(losses) of:												
Jointly-controlled entities	12,303	12,904									12,303	12,904
An associate	–	(24)									–	(24)
Profit before tax											3,615	19,916
Tax	(1,819)	(1,910)	(29)	(843)			39	5			(1,809)	(2,748)
Net profit from ordinary activities attributable to shareholders											1,806	17,168

### 3. Turnover

Turnover represents the aggregate of sales proceeds from securities and futures contracts trading, gross interest income from securities financing and direct loans, commission and brokerage income less rebates, fees for the rendering of services, and dividend income. Revenue from the following activities has been included in turnover:

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Financial services:		
Sales proceeds from securities and futures contracts trading	<b>40,991</b>	81,670
Interest income from securities financing and direct loans	<b>12,773</b>	17,310
Commission and brokerage income	<b>16,721</b>	25,003
Rendering of services	<b>2,364</b>	4,236
	<u><b>72,849</b></u>	<u>128,219</u>
Others:		
Bank interest income	<b>1,529</b>	1,776
Dividend income from		
Listed equity investments	<b>1,260</b>	665
Unlisted equity investment		
– an unconsolidated subsidiary	–	5,216
Others	<b>83</b>	403
	<u><b>2,872</b></u>	<u>8,060</u>
	<u><b>75,721</b></u>	<u>136,279</u>

#### 4. Profit/(Loss) From Operating Activities

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation	3,823	5,097
Amortisation of goodwill	747	704
Amortisation of intangible assets	422	421
Net realised gain on trading of listed equity investments	(3,965)	(1,120)
Gain on disposal of subsidiaries	–	(19,225)
Net unrealised loss on listed equity investments	<u>3,033</u>	<u>7,260</u>

#### 5. Finance Costs

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest on bank loans and overdrafts	<u>25</u>	<u>30</u>

#### 6. Tax

No Hong Kong profits tax has been provided because the Group companies either did not generate any assessable profits in Hong Kong, or had available tax losses brought forward to offset the assessable profits generated during the period (2002: Nil).

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 Restated
Underprovision/(overprovision) in prior year	(47)	828
Deferred tax	(10)	(68)
Share of tax attributable to jointly-controlled entities	<u>1,866</u>	<u>1,988</u>
	<u>1,809</u>	<u>2,748</u>

## 7. Earnings Per Share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the unaudited net profit from ordinary activities attributable to shareholders for the period of HK\$1,806,176 (2002: HK\$17,167,988) and the weighted average of 530,759,126 (2002: 519,759,126) ordinary shares in issue during the period.

### (b) Diluted earnings per share

No diluted earnings per share was presented for the current period because there was no dilutive potential ordinary share during the period following the cancellation of the convertible note and the exercise of all share options in 2002.

Diluted earnings per share for the period ended 30 June 2002 was based on the unaudited net profit from ordinary activities attributable to shareholders for the period of HK\$17,167,988 and the interest accrued on the convertible note for the period of HK\$1,258,521. The weighted average number of ordinary shares used in the calculation comprised the 519,759,126 ordinary shares in issue during the period, as used in the basic earnings per share calculation, the weighted average of 5,516,451 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding during the period, and the weighted average of 56,716,226 ordinary shares assumed to have been issued on the full conversion of the convertible note outstanding during the period.

## 8. Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

## 9. Long Term Receivable

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Amounts receivable	292,767	292,767
Less: Provision for doubtful debts	<u>(110,000)</u>	<u>(110,000)</u>
Long term receivable	<u><u>182,767</u></u>	<u><u>182,767</u></u>

### 9. Long Term Receivable (continued)

The receivable is due from Century City International Holdings Limited (“CCIH”) and its subsidiaries (collectively the “CC Group”). As the directors consider that the receivable is unlikely to be recovered within the next twelve months, it has been classified as a long term receivable. The amounts receivable from the CC Group bear interest ranging from prime rate plus 3.05% to 4% (2002: prime rate plus 3.05% to 4%) per annum, and no interest has been recognised due to the uncertainty of the recoverability of the receivable.

### 10. Long Term Investments

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Listed equity investments in Hong Kong at fair value	<u><b>4,632</b></u>	<u>4,984</u>

The market value of the Group’s long term listed equity investments at the date of approval of these unaudited condensed financial statements and 2002’s annual financial statements were HK\$11,691,831 and HK\$4,728,841 respectively.

### 11. Accounts Receivable

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Accounts receivable	<b>139,536</b>	108,062
Less: Provisions for doubtful debts – specific	<u><b>(19,231)</b></u>	<u>(19,231)</u>
	<u><b>120,305</b></u>	<u>88,831</u>

An aged analysis of accounts receivable is as follows:

Current to 30 days	<b>106,080</b>	75,971
31 to 60 days	<b>1,711</b>	8,315
61 to 90 days	<b>2,426</b>	1,506
Over 90 days	<u><b>29,319</b></u>	<u>22,270</u>
	<u><b>139,536</b></u>	<u>108,062</u>

The Group allows a credit period up to the settlement dates of respective securities and commodities transactions or a credit period mutually agreed with the contracting parties.

## 12. Accounts Payable

An aged analysis of accounts payable is as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Current to 30 days	<u><u>638,141</u></u>	<u><u>394,404</u></u>

## 13. Commitments

### (a) Capital commitments

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Contracted, but not provided for	<u><u>1,203</u></u>	<u><u>1,400</u></u>

### (b) Operating lease commitments as a lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Within one year	<b>8,115</b>	8,646
In the second to fifth years, inclusive	<u><u>6,363</u></u>	<u><u>10,253</u></u>
	<u><u>14,478</u></u>	<u><u>18,899</u></u>

## 14. Connected and Related Party Transactions

There were no significant connected and related party transactions between the Group and related parties during the period.

## 15. Comparative Amounts

Certain comparative amounts have been restated due to the adoption of SSAP 12 (Revised) as explained in note 1. In addition, certain comparative amounts have been reclassified to conform with the current period's presentation.