



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30th September, 2003*

*(Amounts expressed in Hong Kong dollars)*

### 1. Basis of preparation

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 Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The Company is an investment holding company. The principal activities of the Group are the provision of financial services, including securities dealing and broking, futures and options broking, securities margin financing, corporate finance services, and brokerage of mutual funds and insurance-linked investment plans and products.

### 2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2003 except as described below:

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes" issued by HKSA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. In previous years, partial provision, if any, was made for deferred taxation using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation 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. The adoption of this SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.



*For the six months ended 30th September, 2003  
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The Group's accounting policy for taxation following the adoption of SSAP 12 (Revised) is set out below:

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



For the six months ended 30th September, 2003  
(Amounts expressed in Hong Kong dollars)

### 3. Segment information

An analysis of the Group's unaudited turnover and segment results for the period by principal activities is as follows:

#### Business segments

For the six months ended 30th September, 2003

	Broking \$'000	Securities margin financing \$'000	Corporate finance \$'000	Investments \$'000	Total \$'000
<b>REVENUE</b>					
Turnover	<u>18,767</u>	<u>10,135</u>	<u>456</u>	<u>-</u>	<u>29,358</u>
<b>RESULTS</b>					
Segment profit	<u>6,061</u>	<u>8,032</u>	<u>112</u>	<u>25</u>	<u>14,230</u>
Unallocated income and expenses					<u>53</u>
Profit before taxation					<u>14,283</u>
Taxation					<u>(3,149)</u>
Profit for the period					<u>11,134</u>

For the six months ended 30th September, 2002

	Broking \$'000	Securities margin financing \$'000	Corporate finance \$'000	Investments \$'000	Total \$'000
<b>REVENUE</b>					
Turnover	<u>20,116</u>	<u>13,291</u>	<u>638</u>	<u>-</u>	<u>34,045</u>
<b>RESULTS</b>					
Segment profit (loss)	<u>773</u>	<u>8,054</u>	<u>(158)</u>	<u>331</u>	<u>9,000</u>
Unallocated income and expenses					<u>317</u>
Profit before taxation					<u>9,317</u>
Taxation					<u>(1,699)</u>
Profit for the period					<u>7,618</u>

#### Geographical segments

All the activities of the Group are based in Hong Kong and all of the Group's turnover and profit before taxation are derived from Hong Kong.



For the six months ended 30th September, 2003  
(Amounts expressed in Hong Kong dollars)

#### 4. Taxation

	Six months ended 30th September,	
	2003	2002
	\$'000	\$'000
Hong Kong Profits Tax		
Current period	2,467	1,699
Under provision in prior period	682	—
	<u>3,149</u>	<u>1,699</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the period.

#### 5. Dividends

	Six months ended 30th September,	
	2003	2002
	\$'000	\$'000
Final dividend paid	3,000	9,000
Proposed interim dividend of 2.5 cents (2002: 1.7 cents) per share	<u>7,500</u>	<u>5,100</u>
	<u>10,500</u>	<u>14,100</u>

On 15th September, 2003, a dividend of \$0.01 per share was paid to shareholders as the final dividend for the year ended 31st March, 2003.

At a meeting held on 10th December, 2003, the Directors recommended an interim dividend of \$0.025 per share for the six months ended 30th September, 2003 to the shareholders whose names appear in the register of members on 24th December, 2003. This proposed dividend is not reflected as a dividend payable in these unaudited condensed consolidated interim financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31st March, 2004.

#### 6. Earnings per share

The calculation of earnings per share is based on the net profit for the six months ended 30th September, 2003 of \$11,134,000 (2002: \$7,618,000) and on the weighted average of 300,000,000 (2002: 272,950,820) shares in issue during the period.



*For the six months ended 30th September, 2003  
(Amounts expressed in Hong Kong dollars)*

## 7. Trade debtors

	30-9-2003	31-3-2003
	<i>\$'000</i>	<i>\$'000</i>
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	15,686	8,256
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	5,237	–
Loans to securities margin clients:		
– Directors and their associates	1,539	43
– Other margin clients	224,282	277,484
Accounts receivable from HKFE Clearing Corporation Limited (“HKFECC”) arising from the business of dealing in futures contracts	4,972	982
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	522	474
Amounts receivable arising from the business of providing corporate advisory services	225	–
	<u>252,463</u>	<u>287,239</u>

The settlement terms of accounts receivable from cash clients and HKSCC are two days after trade date, and from HKFECC is one day after trade date.

Except for the loans to securities margin clients and commission receivable from brokerage of mutual funds and insurance-linked investment plans and products as mentioned below, all the above balances aged within 30 days.

Loans to securities margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products are settled within 60 days after the Group has submitted the subscription application/policies to the fund managers/policy issuers. The age of this balance is within 60 days.



For the six months ended 30th September, 2003  
(Amounts expressed in Hong Kong dollars)

#### 8. Investments in securities

	30-9-2003 \$'000	31-3-2003 \$'000
Trading securities:		
Listed equity securities	<u>5,781</u>	<u>1,073</u>
Market value of listed equity securities	<u>5,781</u>	<u>1,073</u>

#### 9. Trade creditors

	30-9-2003 \$'000	31-3-2003 \$'000
Accounts payable arising from the business of dealing in securities:		
– Cash clients	14,961	7,965
– HKSCC	–	2,548
Accounts payable to clients arising from the business of dealing in futures contracts	9,889	3,578
Amounts due to securities margin clients	26,050	18,299
Commission payable for brokerage of mutual funds and insurance-linked investment plans and products	<u>309</u>	<u>473</u>
	<u>51,209</u>	<u>32,863</u>

The settlement terms of accounts payable to cash clients and HKSCC are two days after trade date. The age of these balances is within 30 days.

Accounts payable to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their trading of futures contracts on the Hong Kong Futures Exchange Limited (the "Futures Exchange"). The excesses of the outstanding amounts over the required initial margin deposits stipulated by the Futures Exchange are repayable to clients on demand. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of futures contract dealing.

Amounts due to securities margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

Commission payable for brokerage of mutual funds and insurance-linked investment plans and products are settled immediately upon the Group has received payments from fund managers/policy issuers. The age of this balance is within 60 days.



For the six months ended 30th September, 2003  
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#### 10. Related Party Transactions

Name of related party	Nature of transaction	Six months ended	
		30th September,	
		2003	2002
		\$'000	\$'000
Fullink Developments Limited	Rental expense (Note i)	574	900
Messrs. Shum Kin Wai, Frankie, Cham Wai Ho, Anthony and Cheng Wai Ho, and their associates	Commission income (Note ii) Interest income (Note iii)	110 2	37 75

*Notes:*

- (i) This transaction was transacted at a price agreed between the parties and in accordance with the relevant agreement governing the transaction.
- (ii) Commission was charged at 0.125% to 0.25% (2002: 0.25%) on the value of transactions. The rates were similar to rates offered to other clients of the Group.
- (iii) Interest was charged at 7% to 10% (2002: 8% to 14.5%) per annum.

Messrs. Hung Hon Man and Cham Wai Ho, Anthony, directors of the Company, have beneficial interests in Fullink Developments Limited.

#### INTERIM DIVIDEND

The Directors have declared an interim dividend of 2.5 cents per share for the six months ended 30th September, 2003. The interim dividend will be payable on or before 8th January, 2004 to those shareholders whose names appear on the register of members on 24th December, 2003.

#### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29th December, 2003 to 31st December, 2003 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Secretaries Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 24th December, 2003.