

Notes to Condensed Financial Statements

1. Principal Accounting Policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and are in compliance with the Statements of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation adopted in these unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2003.

2. Segment Information

The Group’s operating businesses 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 used for 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	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Segment turnover:												
External customers	786,408	42,290	36,021	16,765	16,847	14,302	3,584	2,364	-	-	842,860	75,721
Inter-segment	-	-	-	-	-	-	1,360	1,253	(1,360)	(1,253)	-	-
Total	<u>786,408</u>	<u>42,290</u>	<u>36,021</u>	<u>16,765</u>	<u>16,847</u>	<u>14,302</u>	<u>4,944</u>	<u>3,617</u>	<u>(1,360)</u>	<u>(1,253)</u>	<u>842,860</u>	<u>75,721</u>
Segment results	<u>(18,598)</u>	<u>(1,614)</u>	<u>8,151</u>	<u>(15,124)</u>	<u>14,079</u>	<u>10,134</u>	<u>1,227</u>	<u>(83)</u>	<u>-</u>	<u>-</u>	<u>4,859</u>	<u>(6,687)</u>
Unallocated expenses											<u>(1,837)</u>	<u>(1,976)</u>
Profit/(loss) from operating activities											<u>3,022</u>	<u>(8,663)</u>
Finance costs											<u>(21)</u>	<u>(25)</u>
Share of profits of jointly-controlled entities		12,303										12,303
Associates	9,044	-									9,044	-
Profit before tax	<u>(1,364)</u>	<u>(1,819)</u>	<u>(1,500)</u>	<u>(29)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>12,045</u>	<u>3,615</u>
Tax											<u>(2,864)</u>	<u>(1,809)</u>
Net profit from ordinary activities attributable to shareholders											<u>9,181</u>	<u>1,806</u>

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:

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Financial services:		
Sales proceeds from securities and futures contracts trading	785,218	40,991
Interest income from securities financing and direct loans	16,713	12,773
Commission and brokerage income	36,114	16,721
Rendering of services	3,220	2,364
	<u>841,265</u>	<u>72,849</u>
Others:		
Bank interest income	134	1,529
Dividend income from listed equity investments	1,170	1,260
Others	291	83
	<u>1,595</u>	<u>2,872</u>
	<u><u>842,860</u></u>	<u><u>75,721</u></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	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	2,427	3,823
Amortisation of goodwill	791	747
Amortisation of Stock and Futures Exchange trading rights	421	422
Net realised losses/(gains) on trading of listed equity investments and futures contracts	4,687	(3,965)
Net unrealised losses on listed equity investments	7,794	3,033
	<u>7,794</u>	<u>3,033</u>

5. Finance Costs

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	21	25
	<u>21</u>	<u>25</u>

6. Jointly-Controlled Entities and Associates

During the period, the jointly-controlled entities became subsidiaries of another corporation. Accordingly, the Group's interests in these entities have been reclassified as interests in associates.

7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax was made during the six months ended 30 June 2003 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 that period.

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for the period	1,500	–
Overprovision in prior period	–	(47)
Deferred tax	–	(10)
Share of tax attributable to jointly-controlled entities	–	1,866
Share of tax attributable to associates	1,364	–
	<u>2,864</u>	<u>1,809</u>

8. 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\$9,181,218 (2003: HK\$1,806,176) and the weighted average of 530,759,126 (2003: 530,759,126) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2004 and 2003 have not been presented because there were no dilutive potential ordinary shares in existence during these periods.

9. Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil).

10. Long Term Receivable

	30 June	31 December
	2004	2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Amounts receivable	292,767	292,767
Less: Provision for doubtful debts	(110,000)	(110,000)
	<u>182,767</u>	<u>182,767</u>

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 12 months, it has been classified as a long term receivable. The amounts receivable from the CC Group bear interest at rates ranging from the prime rate plus 3.05% to 4% (2003: prime rate plus 3.05% to 4%) per annum, however no interest has been recognised due to the uncertainty of the recoverability of the receivable.

11. Long Term Investments

	30 June	31 December
	2004	2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Listed equity investments in Hong Kong		
at fair value	<u>13,268</u>	<u>10,367</u>

The market values of the Group’s long term listed equity investments at the date of approval of these unaudited condensed financial statements and of 2003’s annual financial statements were HK\$13,989,148 and HK\$20,097,863 respectively.

12. Accounts Receivable

	30 June	31 December
	2004	2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Accounts receivable	273,354	604,947
Less: Provisions for doubtful debts – specific	(19,231)	(19,231)
	<u>254,123</u>	<u>585,716</u>

An aged analysis of accounts receivable is as follows:

Current to 30 days	239,517	571,681
31 to 60 days	1,100	2,469
61 to 90 days	1,742	551
Over 90 days	30,995	30,246
	<u>273,354</u>	<u>604,947</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.

13. Accounts Payable

An aged analysis of accounts payable is as follows:

	30 June	31 December
	2004	2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current to 30 days	915,289	1,521,912

14. Commitments**(a) Capital commitments**

	30 June	31 December
	2004	2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Contracted, but not provided for	<u>1,339</u>	<u>1,200</u>

(b) Operating lease commitments as a lessee

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June	31 December
	2004	2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year	6,864	8,114
In the second to fifth years, inclusive	<u>952</u>	<u>3,145</u>
	<u>7,816</u>	<u>11,259</u>

15. Connected and Related Party Transactions

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

16. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current period's presentation.