



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30th September, 2004*

*(Amounts expressed in Hong Kong dollars)*

### 1. Basis of preparation

The unaudited 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 Institute of Certified Public Accountants.

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 unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified for the revaluation of property, investment property 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, 2004.



For the six months ended 30th September, 2004  
(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, 2004

	Broking \$'000	Securities margin financing \$'000	Corporate finance \$'000	Investments \$'000	Total \$'000
<b>REVENUE</b>					
Turnover	<u>16,485</u>	<u>14,045</u>	<u>173</u>	<u>180</u>	<u>30,883</u>
<b>RESULTS</b>					
Segment profit/(loss)	<u>4,460</u>	<u>10,236</u>	<u>(279)</u>	<u>91</u>	<u>14,508</u>
Unallocated income and expenses					<u>-</u>
Profit before taxation					<u>14,508</u>
Taxation					<u>(2,437)</u>
Profit for the period					<u>12,071</u>

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>

#### 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.



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#### 4. Taxation

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
Hong Kong Profits Tax		
Current period	<b>2,437</b>	2,467
Under provision in prior period	–	682
	<u><b>2,437</b></u>	<u>3,149</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profit for the period.

#### 5. Dividends

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
Final dividend paid	<b>15,000</b>	3,000
Proposed interim dividend of 2.5 cents (2003: 2.5 cents) per share	<u><b>7,500</b></u>	<u>7,500</u>
	<u><b>22,500</b></u>	<u>10,500</u>

On 30th August, 2004, a dividend of \$0.05 per share was paid to shareholders as the final dividend for the year ended 31st March, 2004.

At a meeting held on 13th December, 2004, the Directors recommended an interim dividend of \$2.5 cents per share for the six months ended 30th September, 2004 to the shareholders whose names appear in the register of members on 28th December, 2004. 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, 2005.

#### 6. Earnings per share

The calculation of earnings per share is based on the net profit for the six months ended 30th September, 2004 of \$12,071,000 (2003: \$11,134,000) and on the weighted average number of ordinary shares of 300,000,000 (2003: 300,000,000) during the period.



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## 7. Investment property

\$'000

At Valuation:

Balance at 31st March, 2004 and 30th September, 2004 7,050

Investment property was valued at their open market value at 31st March, 2004 by CB Richard Ellis Limited, an independent firm of professional valuers.

The directors have considered the carrying amount of the Group's investment property carried at revalued amounts and have estimated that the carrying amounts did not differ significantly from that which would be determined using fair value at 30th September, 2004. Consequently, no revaluation surplus or deficit has been recognised in the current period.

## 8. Investment in securities

	<b>At 30th September 2004</b>	At 31st March 2004
	<b>\$'000</b>	\$'000
Quoted mutual funds	<u>8,196</u>	<u>8,361</u>
Market values	<u>8,196</u>	<u>8,361</u>



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## 9. Trade debtors

	<b>At 30th September 2004 \$'000</b>	At 31st March 2004 \$'000
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	<b>21,048</b>	11,346
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	<b>27,920</b>	7,611
Loans to securities margin clients:		
– Directors and their associates	–	852
– Other margin clients	<b>252,883</b>	446,203
Accounts receivable from HKFE Clearing Corporation Limited (“HKFECC”) arising from the business of dealing in futures contracts	<b>5,334</b>	2,937
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	<b>254</b>	432
Amounts receivable arising from the business of providing corporate advisory services	–	283
	<b><u>307,439</u></b>	<b><u>469,664</u></b>

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, 2004  
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#### 10. Trade creditors

	At 30th September 2004 \$'000	At 31st March 2004 \$'000
Accounts payable arising from the business of dealing in securities:		
– Cash clients	27,808	21,716
Accounts payable to clients arising from the business of dealing in futures contracts	5,137	8,942
Amounts due to securities margin clients:		
– Directors and their associates	2,363	–
– Other margin clients	62,285	36,184
Commission payable for brokerage of mutual funds and insurance-linked investment plans and products	173	308
	<u>97,766</u>	<u>67,150</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.



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#### 11. Related Party Transactions

Name of related party	Nature of transaction	Six months ended	
		2004	2003
		\$'000	\$'000
Fullink Developments Limited	Rental expense (Note i)	410	574
Messrs. Shum Kin Wai, Frankie, Cham Wai Ho, Anthony and Cheng Wai Ho, and their associates	Commission income (Note ii) Interest income (Note iii)	71 -	110 2

*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% (2003: 0.125% to 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 8% (2003: 7% to 10%) 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, 2004. The interim dividend will be payable on or before 6th January, 2005 to those shareholders whose names appear on the register of members on 28th December, 2004.

#### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29th December, 2004 to 31st December, 2004 (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 28th December, 2004.