Notes to the Condensed Consolidated Financial Information

1. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st December 2004 except that the Group has changed certain of its accounting policies following its adoption of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

This interim financial information has been prepared in accordance with those new HKFRS standards and interpretations issued and effective as at the time of preparing this information. The new HKFRS standards and interpretations that will be applicable at 31st December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in accounting policies

(i) Effect of adopting new HKFRS

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Tax
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates

2. **Changes in accounting policies (Continued)**

(i) ***Effect of adopting new HKFRS (Continued)***

HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 7, 8, 10, 12, 14, 16, 17, 21, 24, 27, 28, 33 and 34 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.
– HKASs 7, 8, 10, 12, 14, 16, 17, 21, 27, 28, 33, 34 had no material effect on the Group's policies.
– HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st December 2004, goodwill was:

– Amortised on a straight line basis over a period of 3 years; and
– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1st January 2005;
– Accumulated amortisation as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and
– From the year ending 31st December 2005 onwards, goodwill is tested annually for impairment, as well as when there is an indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. As a result, the useful lives of Stock Exchange trading rights, Futures Exchange trading right and membership of The Chinese Gold & Silver Exchange Society are reassessed to be indefinite.

2. **Changes in accounting policies (Continued)**

(i) ***Effect of adopting new HKFRS (Continued)***

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st January 2005;
- HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and
- HKFRS 3 – prospectively after the adoption date.

The adjustments to the balance sheet at 1st January 2005 as a result of adopting HKAS 39 are as follows:

	HK$'000
Increase in financial assets at fair value through profit or loss	16,254
Increase in available-for-sale financial assets	3,267
Decrease in investment in securities held for non-trading purposes	(3,267)
Decrease in investment in securities held for trading purposes	(708)
Decrease in held-to-maturity investments	(15,546)

(ii) ***New accounting policies***

The accounting policies used for the condensed consolidated financial information for the six months ended 30th June 2005 are the same as those set out in note 1 to the 2004 annual financial statements except for the following:

2. **Changes in accounting policies (Continued)**

(ii) New accounting policies (Continued)

(a) Acquisition of subsidiaries and associates

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, the measurement and recognition of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associate is included in the carrying amount of the investment. Appropriate adjustments to the investor's share of the profits or losses after acquisition are made to account based on their fair values at the date of acquisition.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2. Changes in accounting policies (Continued)

(ii) New accounting policies (Continued)

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Fixed assets

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2. Changes in accounting policies (Continued)

(ii) New accounting policies (Continued)

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(g) Investments

From 1st January 2004 to 31st December 2004:

The Group classified its investments in securities, other than subsidiaries and associates, as non-trading securities and trading securities.

(i) Non-trading securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the securities was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant securities, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

Where there was objective evidence that individual investments were impaired the cumulative loss recorded in the revaluation reserve was taken to the income statement.

(ii) Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the income statement as they arose.

2. **Changes in accounting policies (Continued)**

(ii) New accounting policies (Continued)

(g) Investments (Continued)

From 1st January 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the period, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2. **Changes in accounting policies (Continued)**

(ii) ***New accounting policies (Continued)***

(g) *Investments (Continued)*

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2. Changes in accounting policies (Continued)

(ii) New accounting policies (Continued)

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(i) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(j) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a Risk Management Committee ("RMC") under policies approved by the Board of Directors. RMC identifies and evaluates hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arises from the net assets of the Group's foreign operations in China, Taiwan and New Zealand.

The RMC considers the foreign exchange risk of the Group is not significant, and thus does not have any active policies to hedge against the foreign exchange risk.

The Group's net trading positions are denominated in currencies other than its functional currency or presentation currency and are subject to fluctuation in foreign exchange among the different currencies. The treasury function of the Group is responsible for managing the foreign exchange risk under prudent guidelines on position limits and floating loss limits. The RMC reviewed the limites from time to time to cope with changes in volatility in the market.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that credits are granted to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and only brokers having sound credit ratings will be accepted. The Group has maintained relationship with various financial institutions, and has policies that limit the amount of credit exposure to any financial institution.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group employs a prudent liquidity policy.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(ii) Income taxes

The Group is subject to income taxed in several jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. **Turnover, other revenues and segment information**

The Company is an investment holding company. The Group is principally engaged in the provision of leveraged foreign exchange trading and broking services, securities broking, commodities and futures broking, provision of corporate financial advisory services, fund management, financial planning and insurance broking, and trading and broking of precious metal contracts. Total revenues recognised during the period are as follows:

	Six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
Turnover		
Fees and commission	**50,335**	39,925
Net revenue from		
– foreign currency option trading	**518**	5,326
– bullion trading	**8,948**	4,148
Net premium income from		
– foreign currency option broking	**213**	96
– insurance brokerage	**121**	137
Swap interest and foreign exchange trading revenue	**43,828**	26,238
Interest income	**5,986**	2,971
Consultancy fee income	**199**	–
Underwriting commission	**873**	162
Management fee and subscription fee income	**188**	569
	111,209	79,572
Other revenues		
Dividend income from listed securities	**18**	222
Other income including exchange gains	**564**	605
	582	827
Total revenues	**111,791**	80,399

5. **Turnover, other revenues and segment information (Continued)**

Primary reporting format – Business Segments

The business of the Group was organised into the following segments during the period:

1. Leveraged foreign exchange trading/broking – provision of dealing and broking in leveraged forex trading services on the world's major currencies including online broking services

2. Securities broking – provision of broking services in securities, equity linked products, unit trusts and stock options traded in Hong Kong and selected overseas markets and margin financing services to those brokerage clients

3. Commodities and futures broking – provision of broking services in commodities and futures contracts traded in Hong Kong and selected overseas markets

4. Corporate finance – provision of corporate finance and advisory services to companies listed in Hong Kong

5. Asset management – managing private funds and acting as an investment manager for investment companies

6. Financial planning and insurance broking – acting as an agent for the sale of savings plans, unit trusts, general and life insurance and providing advisory services on securities investment and discretionary fund management

7. Precious metal contracts trading/broking – provision of dealing and broking trading services on selected precious metals

There were no significant transactions between the business segments.

Secondary reporting format – Geographical Segments

Based on the geographical location of the clients, the Group's business could be divided into four main geographical areas:

1. Hong Kong – mainly consists of retail clients

2. China – mainly consists of retail clients

3. New Zealand – mainly consists of corporate clients

4. Other countries – principally consists of clients from a number of countries or regions including Japan, Singapore, and Taiwan, etc

There were no significant transactions between the geographical segments.

5. **Turnover, other revenues and segment information (Continued)**

Primary reporting format – Business Segments

Six months ended 30th June 2005
HK$'000

	Leveraged foreign exchange trading/ broking	**Securities broking**	**Commodities and futures broking**	**Corporate finance**	**Asset Management**	**Financial planning/ insurance broking**	**Precious metal contracts trading/ broking**	**Unallocated**	**Total**
Turnover	**66,209**	**11,045**	**6,457**	**5,554**	**194**	**9,044**	**12,675**	**31**	**111,209**
Segment results	**14,762**	**(869)**	**(310)**	**1,300**	**(647)**	**(2,312)**	**5,447**	**(1,627)**	**15,744**
Operating profit									**15,744**
Finance costs									**(711)**
									15,033
Share of profit of associates									**1,516**
Profit before taxation									**16,549**
Taxation									**(4,270)**
Profit for the period									**12,279**

Six months ended 30th June 2004
HK$'000

	Leveraged foreign exchange trading/ broking	Securities broking	Commodities and futures broking	Corporate finance	Asset Management	Financial planning/ insurance broking	Precious metal contracts trading/ broking	Unallocated	Total
Turnover	40,696	11,898	4,944	3,215	569	13,557	4,657	36	79,572
Segment results	6,153	(94)	(811)	(557)	(185)	905	2,529	(2,106)	5,834
Operating profit									5,834
Finance costs									(741)
									5,093
Share of profit of associates									6,049
Profit before taxation									11,142
Taxation									(1,719)
Profit for the period									9,423

5. **Turnover, other revenues and segment information (Continued)**

Secondary reporting format – Geographical Segments

	Turnover	
	Six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
Hong Kong	**80,097**	57,138
New Zealand	**17,284**	6,311
China	**7,925**	10,114
Other countries	**5,903**	6,009
	111,209	79,572

6. **Operating profit**

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
Crediting		
Gain on disposal of fixed assets	**64**	–
Charging		
Amortisation of goodwill	**–**	303
Amortisation of trading rights	**–**	271
Auditors' remuneration	**776**	667
Bad debts written off	**280**	–
Commission and other rebates	**45,182**	30,545
Depreciation of fixed assets	**1,928**	1,773
Exchange losses	**1,313**	–
Impairment of goodwill	**861**	–
Interest paid to clients on margin deposits	**106**	1
Legal and professional fee	**1,923**	1,069
Loss on disposal of fixed assets	**69**	63
Rent and rates	**3,462**	4,512
Staff costs	**23,124**	19,453
Unrealised loss on investment in securities held for trading purposes	**–**	42

7. Staff costs

	Six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
Salaries and allowances	**22,561**	18,925
Mandatory provident fund – defined contribution plans	**563**	528
	23,124	19,453

8. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the six months ended 30th June 2005. Taxation on overseas profit has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	Six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
Current taxation:		
– Hong Kong profits tax	**3,361**	1,497
Deferred taxation relating to the origination and reversal of temporary differences	**909**	222
	4,270	1,719

8. **Taxation** ***(Continued)***

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	Six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
Profit before taxation (excluding share of profit of associates)	**15,033**	5,093
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**2,631**	891
Tax effect of income not subject to taxation	**(454)**	(392)
Tax effect of expenses not deductible for taxation purposes	**361**	301
Tax effect of taxation losses of operating subsidiaries	**1,047**	697
Utilisation of previously unrecognised tax losses	**(224)**	–
Deferred taxation	**909**	222
	4,270	1,719

9. **Dividends**

	Six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
Final, paid, of HK$0.025 per ordinary share (2004: HK$0.025 per ordinary share)	**9,778**	9,778

At a meeting held on 7th April 2005, the directors proposed a final dividend of HK$0.025 per ordinary share for the year ended 31st December 2004, which was paid on 1st June 2005 and has been reflected as an appropriation of retained earnings for the six months ended 30th June 2005.

10. Earnings per share

The calculation of basic and diluted earnings per share are based on the profit attributable to equity holders of the Company of HK$12,663,175 (2004: HK$9,510,539).

The basic earnings per share is based on the weighted average number of 391,130,000 (2004: 391,130,000) ordinary shares in issue during the six months ended 30th June 2005. The diluted earnings per share for the six months ended 30th June 2005 is based on 391,349,196 (2004: 391,905,870) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 219,196 (2004: 775,870) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

11. Capital expenditure

	Stock Exchange trading rights	Futures Exchange trading right	Membership of The Chinese Gold & Silver Society	Goodwill	Total intangible assets	Fixed assets
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30th June 2005						
Net book amount at 1st January 2005	913	406	180	785	2,284	8,580
Additions	–	–	–	76	76	2,557
Write-off	–	–	–	–	–	(355)
Impairment loss	–	–	–	(861)	(861)	–
Amortisation charge/depreciation	–	–	–	–	–	(1,928)
Depreciation written back	–	–	–	–	–	159
Net book amount as at 30th June 2005	913	406	180	–	1,499	9,013

12. Trade and other receivables

	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000
Trade receivables from clients	**29,625**	36,143
Less: provision for doubtful debts	**(6,430)**	(6,430)
Margin finance loans	**67,019**	72,495
Less: provision for doubtful debts	**(4,745)**	(4,745)
Margin and other trade related deposits with brokers and financial institutions	**70,819**	88,424
Trade receivables from clearing houses	**–**	7,426
Total trade receivables	**156,288**	193,313
Rental and utilities deposits	**4,513**	4,248
Prepayments and other receivables	**4,631**	3,365
Total trade and other receivables	**165,432**	200,926

The Group maintains designated accounts with The SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKFECC") as a result of its normal business transactions. At 30th June 2005, the designated accounts with SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$437,755 and HK$10,871,541 respectively (at 31st December 2004: HK$804,505 and HK$7,856,218 respectively).

As at 30th June 2005, the aging analysis of the trade receivables was as follows:

	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000
Current	**156,064**	193,163
30-60 days	**224**	60
Over 60 days	**11,175**	11,265
	167,463	204,488
Less: Provision for doubtful debts	**(11,175)**	(11,175)
	156,288	193,313

13. Bank balances and cash

	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000
Cash in hand	**589**	316
Bank balances		
– pledged	**25,781**	23,015
– general accounts	**119,786**	96,968
	145,567	119,983
	146,156	120,299

		Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000
(a)	By maturity		
	Bank balances		
	– Current and savings accounts	**109,672**	117,499
	– Fixed deposits (maturing within three months)	**35,895**	2,484
		145,567	119,983

(b) As at 30th June 2005, bank deposits amounting to HK$10,597,447 (at 31st December 2004: HK$10,530,779) have been pledged to a bank for banking facilities to the extent of HK$26 million (at 31st December 2004: HK$26 million) in securities broking of the Group. In addition, bank deposits amounting to HK$15,183,433 (at 31st December 2004: HK$12,483,995) have been pledged to a financial institution for trading facilities in leveraged foreign exchange broking of the Group.

As at 30th June 2005, included in the aggregate banking facilities amounts of HK$130 million (at 31st December 2004: HK$130 million) granted to the Group, amounts of HK$118 million (at 31st December 2004: HK$118 million) were granted under the Company's corporate guarantee (Note 19). Whereas, a subsidiary of the Company which engages in securities broking has utilised HK$30,137,488 (at 31st December 2004: HK$30,507,362) of the aggregate banking facilities.

The subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. At 30th June 2005, segregated trust accounts not otherwise dealt with in these accounts amounted to HK$214,195,110 (at 31st December 2004: HK$221,396,256).

14. Trade and other payables

	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000
Trade payable to securities trading clients	**21,108**	39,624
Margin and other deposits payable to clients	**13,891**	4,637
Trade payable to brokers and clearing houses arising from the ordinary course of business of broking in securities, futures and commodity contracts and leveraged foreign exchange trading	**1,956**	839
Total trade payables	**36,955**	45,100
Accruals and other payables	**10,312**	14,588
	47,267	59,688

The settlement terms of trade payable from the ordinary course of business of broking in securities payable to clearing houses and securities trading clients are two days after the trade date of those transactions. The margin and other deposits payable to other clients principally represent the margin deposits received from clients for their trading of leveraged foreign exchange, precious metal contracts, futures and commodity contracts. The excess over the required margin deposit stipulated are repayable to clients on demand.

Other trade payables are aged within 30 days.

15. Bank loan and overdrafts

	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000
Bank loan – unsecured	**10,000**	10,000
Bank overdrafts		
– secured	**3,264**	6,794
– unsecured	**16,873**	13,713
	30,137	30,507

16. Share capital

	Authorised Ordinary shares of HK$0.10 each	
	No. of shares	**Nominal value**
	’000	HK$’000
At 1st January 2005, 2004 and 30th June 2005	1,000,000	100,000

	Issued and fully paid Ordinary shares of HK$0.10 each	
	No. of shares	**Nominal value**
	’000	HK$’000
At 1st January 2005 and 30th June 2005	391,130	39,113
At 1st January 2004 and 30th June 2004	391,130	39,113

17. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movement on the net deferred tax liabilities/(assets) during the period/year is as follows:

	Unaudited 30th June 2005 HK$’000	Audited 31st December 2004 HK$’000
At the beginning of the period/year	**(865)**	–
Acquisition of a subsidiary	**–**	(274)
Deferred taxation charged/(credited) to income statement *(Note 8)*	**909**	(591)
At the end of the period/year	**44**	(865)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The tax jurisdiction in Hong Kong allows unrecognised tax losses to be carried forward indefinitely to offset future taxable income. However, for the Group’s overseas operations, the respective jurisdiction may only allow unrecognised tax losses to be carried forward for a definite number of years. As of 30th June 2005, the Group has an unrecognised tax loss from its Hong Kong operations of HK$50,710,759 (2004: HK$46,887,442), which has no expiry date; and an unrecognised tax loss of HK$4,512,390 (2004: Nil) from its overseas operations for which is subject to the respective jurisdiction in the country the Group operates.

17. Deferred taxation (Continued)

The movement in net deferred tax liabilities/(assets) during the period/year is as follows:

	Accelerated tax depreciation		Tax losses		Total	
	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000	**Unaudited 30th June 2005 HK$'000**	Audited 31st December 2004 HK$'000	**Unaudited 30th June 2005 HK$'000**	Audited 31st December 2004 HK$'000
At 1st January	**931**	966	**(1,796)**	(966)	**(865)**	–
Acquisition of a subsidiary	**–**	–	**–**	(274)	**–**	(274)
(Credited)/charged to income statement	**(61)**	(35)	**970**	(556)	**909**	(591)
At 30th June 2005/ 31st December 2004	**870**	931	**(826)**	(1,796)	**44**	(865)

18. Obligations under finance lease

At 30th June 2005, the Group's finance lease liabilities were repayable as follows:

	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000
Not later than one year	**121**	–
Later than one year and not later than five years	**222**	–
	343	–
Future finance charges on finance leases	**(31)**	–
Present value of finance lease liabilities	**312**	–

The present value of finance lease liabilities is as follows:

	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000
Not later than one year	**103**	–
Later than one year and not later than five years	**209**	–
	312	–

19. Contingent liabilities

(a) The Company received a writ of summons on 28th July 2000, filed by a company named Hantec Investment Limited which is unrelated to the Group. The plaintiff sought for injunction to restrain the Company from using the plaintiff's alleged trade name and damages.

The directors have commenced a defence action and will continue to defend it. Potential damages, losses, fees, expenses, proceedings and claims which have been and may be incurred by the Group as a result of the action have been covered by a joint and several indemnity, given by the ultimate controlling shareholders and accordingly no provision has been made by the Group as at 30th June 2005.

(b) As at 30th June 2005, the Company had issued corporate guarantees to certain banks for credit facilities up to an amount of HK$118,000,000 (at 31st December 2004: HK$118,000,000) granted to a subsidiary which engages in securities broking. In addition, the Company had issued corporate guarantees to certain financial institutions for foreign exchange trading and precious metals contracts trading facilities granted to subsidiaries which engage in leveraged foreign exchange trading and precious metals trading. The guarantee amounts vary and are subject to the volume of contracts traded with the financial institutions.

20. Operating lease commitment

At 30th June 2005, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		**Others**	
	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000	**Unaudited 30th June 2005 HK$'000**	Audited 31st December 2004 HK$'000
Not later than one year	**6,390**	5,213	**500**	400
Later than on year and not later than five years	**7,357**	6,945	**584**	607
	13,747	12,158	**1,084**	1,007

21. Assets, liabilities and contracts in foreign currencies

	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000
Total assets in foreign currencies included in the balance sheet	**139,104**	155,218
Total liabilities in foreign currencies included in the balance sheet	**2,018**	2,521
Notional amounts of contracts to purchase foreign currencies under leveraged foreign exchange trading contracts	**1,396,520**	3,493,986
Notional amounts of contracts to sell foreign currencies under leveraged foreign exchange trading contracts	**1,695,141**	3,396,436
Notional amounts of contracts to purchase foreign currencies under option contracts	**3,009,265**	53,137
Notional amounts of contracts to sell foreign currencies under option contracts	**3,009,265**	53,137

Total commitments to purchase or sell foreign currencies under leveraged foreign exchange trading contracts consist of a basket of currencies which cannot be offset against each other. From the Group's risk management perspective, individual positions in each currency (short or long) are monitored for exchange risk.

22. **Acquisition**

On 6th June 2005, the Group acquired 30% of the share capital of 富林國際證券投資顧問股份有限公司 ("富林") for which the Group already holds 70% of its share capital. 富林 engages in the provision of wealth management, investment advisory and consultancy services and was incorporated in Taiwan. The consideration of HK$2,975,513 was settled in cash. The fair value of the net identifiable assets of the company at the date of acquisition was HK$9,663,563. The resulting goodwill of HK$76,444 was considered to be impaired and charged to the Income Statement.

The 30% share of assets and liabilities arising from the acquisition are as follows:

	HK$'000
Fixed assets	205
Deferred tax assets	204
Bank balances and cash	3,038
Trade and other receivables	425
Trade and other payables	(973)
	2,899
Goodwill	76
Total purchase consideration	2,975

23. **Related party transactions**

The following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	Six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
Net premium (expenses)/income from foreign currency option trading and broking	**(5,246)**	3,047
Commission income received	**7**	–

During the period, an associate in New Zealand transacted leveraged foreign exchange trading, precious metal trading and securities trading through the subsidiaries of the Group.

23. **Related party transactions (Continued)**

(i) For leveraged foreign exchange transactions and precious metal trading transactions, spreads are based on relevant market rates at the time of each transaction available to other customers and counterparties of the Group with comparable standing. The aggregate notional amount of the transactions entered by the associate amount to HK$126,656 million (2004: HK$25,397 million) for leveraged foreign exchange trading contracts and HK$133 million (2004: HK$109 million) for precious metal trading contracts out of the total aggregate notional amount of the transactions of HK$432,830 million (2004: HK$268,577 million) and HK$15,733 million (2004: HK$10,343 million) respectively entered by the Group during the period.

(ii) Commission received on securities trading and option premium income were charged to these transactions on normal commercial terms. During the period, commission of HK$6,708 (2004: nil) was charged on the transactions and net option premium expenses of HK$5,245,497 (2004: income of HK$3,047,102) were contributed to turnover of the Group.

24. **Capital commitments**

Capital commitments for system software development and fixed asset acquisition is as follows:

	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 HK$'000
Contracted but not provided for	**1,353**	585