NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005
(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 are in compliance with the Hong Kong Accounting Standard ("HKAS") 34 "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 except for certain financial instruments, which are measured at fair value as appropriate.

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, 2005 except for the adoption of a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) in the current period for the first time. The adoptions of the new and revised HKFRSs which effective for accounting periods commencing on or after 1st January, 2005 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated interim financial statements except for the following:

(a) HKAS 17 – Lease

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment. This change in accounting policy has no material impact on the condensed consolidated income statement. The comparatives on the condensed consolidated balance sheet for the year ended 31st March, 2005 have been restated to reflect the reclassification of leasehold land.

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(b) HKAS 32 and HKAS 39 – Financial Instruments

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Before 1st January, 2005, securities investments previously held for non-trading purpose were classified as current and non-current investments in securities and were stated in the balance sheet at fair value. The convertible loans were stated as liabilities in the balance sheet at their principal amount and the liability and equity components of the convertible notes were not classified and presented separately.

The adoption of HKAS 39 has no retrospective effect but has resulted the following changes:

– redesignated all long-term investments as available-for-sale financial assets and such redesignation has no financial effect on the current and prior accounting periods except the changes in presentation; and

– reclassified and presented separately the liability and equity components of the convertible notes.

In accordance with HKAS 39, the Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale financial asset is impaired as a result of one or more events that occurred after the initial recognition of the financial asset ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated. If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the consolidated income statement. The amount of the loss recognised in the consolidated income statement shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale financial asset previously recognised in the income statement.

This change in accounting policy has no material impact on the condensed consolidated financial statements.

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(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

Previously, goodwill amortised in the income statement on the straight-line basis over its estimated useful life of four years. In accordance with HKFRS 3 and HKAS 36, goodwill arising on acquisition is no longer amortised but instead, is tested annually for impairment. Accumulated amortised goodwill as at 31st March, 2005 was eliminated with a corresponding decrease in the cost of goodwill.

As a consequence, the Group's goodwill is not amortised during the six months ended 30th September, 2005.

(d) HKAS 38 – Intangible assets

The adoption of HKAS 38 results in a change of the useful lives of intangible assets according to the provisions of HKAS 38. Certain exchange participation rights with amortization on a straight line basis over its estimated useful lives of ten years before 1st January, 2005 were change to indefinite useful life on that date. Accumulated amortization as at 31st March, 2005 has been eliminated with a corresponding decrease in the costs of these intangible assets.

The Group has reclassified club membership which is previously grouped under "other assets" to intangible assets.

(e) HKAS 40 – Investment Property

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of the investment properties are recorded in the income statement as part of other income. In prior years, the increase in fair value were credited to the investment property revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

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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, 2005

	Broking $'000	Securities margin financing $'000	Corporate finance $'000	Investments $'000	Total $'000
REVENUE					
Turnover	**40,788**	**24,587**	**1,780**	**196**	**67,351**
RESULTS					
Segment profit/(loss)	**12,790**	**16,526**	**1,488**	**102**	**30,906**
Unallocated income and expenses					**(1,788)**
Profit before taxation					**29,118**
Taxation					**(5,009)**
Profit attributable to shareholders					**24,109**

For the six months ended 30th September, 2004

	Broking $'000	Securities margin financing $'000	Corporate finance $'000	Investments $'000	Total $'000
REVENUE					
Turnover	16,485	14,045	173	180	30,883
RESULTS					
Segment profit/(loss)	4,460	10,236	(279)	91	14,508
Unallocated income and expenses					–
Profit before taxation					14,508
Taxation					(2,437)
Profit attributable to shareholders					12,071

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, 2005
(Amounts expressed in Hong Kong dollars)

4. Taxation

	Six months ended 30th September,	
	2005	2004
	$'000	*$'000*
Hong Kong Profits Tax		
Current period	**4,896**	2,437
Deferred taxation	**113**	–
	5,009	2,437

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profit for the period.

5. Dividends

	Six months ended 30th September,	
	2005	2004
	$'000	*$'000*
Final dividend paid	**12,538**	15,000
Proposed interim dividend of 2.5 cents (2004: 2.5 cents) per share	**12,538**	7,500
	25,076	22,500

On 31st August, 2005, a dividend of $0.025 per share was paid to shareholders as the final dividend for the year ended 31st March, 2005.

At a meeting held on 2nd December, 2005, the Directors recommended an interim dividend of $2.5 cents per share for the six months ended 30th September, 2005 to the shareholders whose names appear in the register of members on 16th December, 2005. This proposed dividend is not reflected as a dividend payable in these unaudited condensed consolidated interim financial statements, but will reflected as an appropriation of retained earnings for the year ended 31st March, 2006.

For the six months ended 30th September, 2005
(Amounts expressed in Hong Kong dollars)

6. Earnings per share

The calculation of earnings per share is based on the net profit for the six months ended 30th September, 2005 of $24,109,000 (2004: $12,071,000) and on the weighted average number of ordinary shares of 474,569,146 (2004: 300,000,000) during the period.

7. Investment property

	$'000
At Valuation:	
Balance at 31st March, 2005 and 30th September, 2005	14,000

Investment property was valued at their open market value at 31st March, 2005 by Vigers Appraisal & Consulting 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, 2005. Consequently, no revaluation surplus or deficit has been recognised in the current period.

8. Available-for-sale financial assets/Investment in securities

	At 30th September, 2005	At 31st March, 2005
	$'000	*$'000*
Listed equity investments in Hong Kong, at market values	**1,638**	–
Quoted mutual funds, at market values	**–**	3,916

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(Amounts expressed in Hong Kong dollars)

9. Trade debtors

	At 30th September, 2005	At 31st March, 2005
	$'000	*$'000*
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	**44,300**	37,211
– Hong Kong Securities Clearing Company Limited ("HKSCC")	**11,423**	–
Loans to securities margin clients	**508,395**	432,861
Loans to customers	**25,000**	–
Accounts receivable from HKFE Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	**6,025**	13,212
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	**99**	457
	595,242	483,741

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, loans to customers 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.

The loans to customers are unsecured and repayable on demand, or within one year.

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, 2005
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10. Trade creditors

	At 30th September, 2005	At 31st March, 2005
	$'000	*$'000*
Accounts payable arising from the business of dealing in securities:		
– Cash clients	**54,059**	33,924
– HKSCC	**–**	12,131
Accounts payable to clients arising from the business of dealing in futures contracts	**10,498**	16,580
Amounts due to securities margin clients	**27,542**	97,619
Commission payable for brokerage of mutual funds and insurance-linked investment plans andproducts	**77**	307
	92,176	160,561

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. Financial liability of a convertible note

The convertible notes in the principal sum of HK$200,000,000 was issued on 6 April 2005 by the Company. It bears interest rate of 3% per annum and will mature on the third anniversary of the date of issue. The Company and the bondholders may redeem the convertible notes, at any time during the period commencing from the date falling on the six months immediately following the date of issue. The holders of the notes are not entitled to vote at general meeting of the Company. The notes were issued to independent third parties other than Honeylink, is solely owned by Mr Hung Hon Man and Chambray by Mr Cham Wai Ho. Honeylink and Chambray have subscribed for portions of HK$100,000,000 and HK$10,000,000 respectively of the convertible notes. Mr Hung is the substantial shareholder and a director of the Company and Mr Cham is a director of the Company. The Honeylink and Chambray subscription agreements were approved by the independent shareholders at the EGM.

The effective interest rate of the liability component is close to the prevailing market rate.

12. Interests in associates

	At 30th September, 2005	At 31st March, 2005
	$'000	*$'000*
Share of net assets	**–**	–
Loan due from an associate	**4,631**	4,361

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13. Commitments

(a) Loan finance commitment

At 30th September, 2005, the Group had provided fund proof amounted to HK$90,000,000 to World Assets Limited to meet its underwriting commitment in respect of the open offer in shares of United Power Investment Limited. The deal was completed on 24th October, 2005. The commitment of the Group was then fully discharged.

(b) Underwriting commitments

At 30th September, 2005, the Group had the following net underwriting commitments under the requirement of a corporate finance business:

(i) HK$10,000,200 in respect of the subscription of 95,240,000 shares of Wanji Pharmaceutical Holdings Limited. The deal was completed on 14th October, 2005 and the underwriting commitment was fully discharged.

(ii) HK$7,525,000 in respect of the subscription of 215,000,000 shares of Victory Group Limited. The deal was completed on 4th October, 2005 and the underwriting commitment was then fully discharged.

(iii) HK$13,196,900 in respect of the subscription of 131,969,000 shares of Unity Investments Holdings Limited. The deal was completed on 27th October, 2005 and the underwriting commitment was then fully discharged.

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14. Related Party Transactions

Name of related party	Nature of transaction	Six months ended 30th September, 2005 $'000	2004 $'000
Fullink Developments Limited	Rental expense *(Note i & vi)*	**137**	410
Honeylink Agents Limited	Interest expenses *(Note ii & vii)*	**1,458**	–
Chambray Resources Limited	Interest expenses *(Note ii & viii)*	**146**	–
Messrs. Shum Kin Wai, Frankie, Cham Wai Ho, Anthony and Cheng Wai Ho, and their associates	Commission income *(Note iii)*	**37**	71
Liu Chong Hing Bank Limited	Interest expenses *(Note iv & ix)*	**955**	2,193
	Bank charges *(Note v & ix)*	**501**	33

Notes:

(i) This transaction was transacted at a price agreed between the parties and in accordance with the relevant agreement governing the transaction.

(ii) Interest was charged at 3% per annum in accordance with the relevant subscription agreements which were approved by independent shareholders at the EGM.

(iii) Commission was charged at 0.125% (2004: 0.125%) on the value of transactions. The rates were similar to rates offered to other clients of the Group.

(iv) Interest was charge at prime rate to prime rate plus 1% per annum.

(v) Bank charges was paid at commercial rates which were similar to rates to the other banks.

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

(vii) Mr. Hung Hon Man, a director of the Company, has beneficial interest in Honeylink Agents Limited.

(viii) Mr. Cham Wai Ho, Anthony, a director of the Company, has beneficial interest in Chambray Resources Limited.

(ix) Mr. Liu Chun Ning, Wilfred, an independent non-executive director of the Company, is also an executive director of Liu Chong Hing Bank Limited.

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15. Post Balance Sheet Events

On 12th October, 2005, the Company has entered into a subscription agreement with Honeylink Agents Limited which is beneficially owned by Mr. Hung Hon Man, a director of the Company, pursuant to which the Company has agreed to issue and the subscriber has agreed to subscribe for a portion of convertible bonds in the principal sum of HK$100,000,000 due 2008, which bears interest at a rate of 2% per annum. Completion of the subscription agreement took place on 25th November, 2005. On 12th October, 2005, the Company and a placing agent have entered into a placing agreement to procure subscribers to subscribe for a portion of the convertible bonds with an aggregrate principal amount up to HK$200,000,000 due 2008 which bear interest at a rate of 2% per annum. Completion of the subscription agreements in the aggregate principal amount of HK$100,000,000 took place on 25th November 2005. The net proceeds from the issue of the convertible bonds will be used for general working capital.

INTERIM DIVIDEND

The Directors have declared an interim dividend of $2.5 cents per share for the six months ended 30th September, 2005. The interim dividend will be payable on 28th December, 2005 to those shareholders whose names appear on the register of members on 16th December, 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19th December, 2005 to 21st December, 2005 (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 16th December, 2005.