

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 Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation adopted in the preparation of these unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005, except that in the current period, the Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which became effective for the financial year beginning on or after 1 January 2006:

HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts

The adoption of these HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's interim financial statements.

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 loans
- (d) investment advisory services

The Group's intersegment sales and transfers are transacted with reference to terms and conditions used for similar transactions with third parties at the then prevailing market prices.

2. Segment Information (Continue)

The Group's unaudited revenue and results by business segments for the period ended 30 June are as follows.

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:												
External customers	80,425	65,747	38,604	19,910	21,185	11,479	19,595	3,060	-	-	159,809	100,196
Intersegment	-	-	-	-	145	285	1,332	1,330	(1,477)	(1,615)	-	-
Total	<u>80,425</u>	<u>65,747</u>	<u>38,604</u>	<u>19,910</u>	<u>21,330</u>	<u>11,764</u>	<u>20,927</u>	<u>4,390</u>	<u>(1,477)</u>	<u>(1,615)</u>	<u>159,809</u>	<u>100,196</u>
Segment results	<u>11,049</u>	<u>(5,296)</u>	<u>3,474</u>	<u>(6,895)</u>	<u>16,390</u>	<u>11,944</u>	<u>13,008</u>	<u>920</u>	<u>-</u>	<u>-</u>	<u>43,921</u>	<u>673</u>
Unallocated expenses											14	(636)
Share of profits of associates											<u>8,694</u>	<u>5,840</u>
Profit before tax											<u>52,629</u>	<u>5,877</u>
Tax											<u>(2,400)</u>	<u>(663)</u>
Profit for the period											<u>50,229</u>	<u>5,224</u>

3. Revenue

Revenue, which is also the Group's turnover, represents the aggregate of sales proceeds from securities and futures contracts trading, gross interest income, commission and brokerage income less rebates, income from rendering of services and dividend income. An analysis of revenue is as follows:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Financial services:		
Sales proceeds from securities and futures contracts trading	79,692	65,338
Interest income from securities financing and direct loans	16,437	8,204
Commission and brokerage income	38,583	19,877
Income from rendering of services	19,595	3,060
	154,307	96,479
Others:		
Bank interest income	4,748	3,275
Dividend income from listed equity investments	695	394
Others	59	48
	5,502	3,717
	159,809	100,196

4. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net realised gains on trading of listed equity investments and futures contracts	(6,035)	(2,276)
Net realised gains on disposal of available-for-sale investments	(24,443)	–

5. Tax

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	2,400	159
Underprovision in prior period	–	494

6. Dividend

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend – HK2.0 cents (2005: Nil) per ordinary share	10,615	–

7. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share amount is based on the unaudited profit for the period of HK\$50,229,296 (2005: HK\$5,223,703) and 530,759,126 (2005: 530,759,126) ordinary shares in issue during the period.

(b) Diluted earnings per share

No diluted earnings per share has been presented for the current and prior periods because there was no dilutive potential ordinary share in existence during these periods.

8. Financial Instruments

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Available-for-sale investments:		
Listed equity investments in		
Hong Kong at fair value	26,653	18,786
Unlisted equity investment in		
Hong Kong at fair value	236,777	236,777
Unlisted club debentures at fair value	2,470	2,470
	<u>265,900</u>	<u>258,033</u>
Embedded derivative liability on the unlisted equity investment at fair value	(60,429)	(50,621)
	<u>205,471</u>	<u>207,412</u>

9. Accounts Receivable

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Accounts receivable	206,873	142,742
Less: Impairment	(23,807)	(23,807)
	<u>183,066</u>	<u>118,935</u>

9. Accounts Receivable (Continue)

An aged analysis of accounts receivable is as follows:

Current to 30 days	172,439	112,909
31 to 60 days	8,574	2,173
61 to 90 days	944	2,896
Over 90 days	24,916	24,764
	<u>206,873</u>	<u>142,742</u>

Save for credit period allowed by the Group, the accounts receivable shall be due on the settlement day of the respective securities and commodities transactions.

Included in the accounts receivable balance at the balance sheet date is a broker receivable amount due from a substantial beneficial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd. ("SWSC"), of HK\$8,063,278 (31 December 2005: HK\$1,295,299) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement day of the relevant trades.

10. Accounts Payable

An aged analysis of accounts payable is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Current to 30 days	<u>777,270</u>	<u>600,780</u>

Included in the accounts payable balance at the balance sheet date is a broker payable amount due to a substantial beneficial shareholder of the Company, SWSC, of HK\$127,432 (31 December 2005: HK\$9,104,695) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement day of the relevant trades.

Included in the accounts payable balance at the balance sheet date is segregated client money held on behalf of another substantial beneficial shareholder, Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH"), of HK\$19,959,236 (31 December 2005: HK\$22,242,658) which also arose from securities dealing transactions. This balance is unsecured, bears interest at bank deposit savings rate per annum and is payable on request.

11. Commitments

(a) Capital commitments

30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
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Contracted but not provided for:

Purchases of furniture,

fixtures and equipment

1,112

1,137

(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 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within one year	9,026	8,964
In the second to fifth years, inclusive	7,297	10,244
	16,323	19,208

12. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these condensed financial statements, the Group had the following material transactions with related parties during the six-month period.

(a) Substantial beneficial shareholder

- (i) The Group paid brokerage commissions totaling HK\$1,356,000 (period ended 30 June 2005: brokerage commissions totaling HK\$893,000 and a service fee of HK\$213,000) to SWSC which were based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers of SWSC.
- (ii) The Group received brokerage commission income totaling HK\$42,000 (period ended 30 June 2005: HK\$25,000) from SWHKH which was based on the published prices and conditions offered to the major customers of the Group.

12. Related Party Transactions (Continue)

(b) Subsidiary of a substantial beneficial shareholder

The Group paid HK\$100,000 and accrued HK\$500,000 (period ended 30 June 2005: NIL and HK\$450,000 respectively) for a research fee to a subsidiary of SWSC which was based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers of that subsidiary of SWSC. The accrued amount is included in "other payables and accruals" on the condensed consolidated balance sheet.

(c) Key management personnel compensation

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	9,159	6,817
Post-employment benefits	578	528
	<u>9,737</u>	<u>7,345</u>

13. Review of Accounts

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2006.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK2.0 cents (2005: Nil) per ordinary share for the six months ended 30th June 2006, to shareholders whose names appear on the register of members of the Company on 29 September 2006. The dividend will be payable on or about 9 October 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 September 2006, Tuesday to 29 September 2006, Friday both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tengis Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong for registration by no later than 4:00 p.m. on 25 September 2006, Monday.