

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended 30th September, 2006

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, money lending and brokerage of mutual funds and insurance-linked investment plans and products, as well as properties development in Hong Kong.

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, 2006 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.



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, 2006

	Broking HK\$'000	Securities margin financing HK\$'000	Money lending HK\$'000	Corporate finance HK\$'000	Investments HK\$'000	Total HK\$'000
REVENUE						
Turnover	<u>48,853</u>	<u>31,395</u>	<u>7,379</u>	<u>2,502</u>	<u>228</u>	<u>90,357</u>
RESULTS						
Segment profit/(loss)	<u>20,650</u>	<u>26,483</u>	<u>6,977</u>	<u>2,224</u>	<u>176</u>	56,510
Unallocated income and expenses						<u>(3,252)</u>
Profit before taxation						53,258
Taxation						<u>(9,009)</u>
Profit attributable to shareholders						<u>44,249</u>

For the six months ended 30th September, 2005

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



4. Taxation

	Six months ended 30th September,	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
Current period	9,009	4,896
Deferred taxation	—	113
	<u>9,009</u>	<u>5,009</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the period.

5. Dividends

	Six months ended 30th September,	
	2006	2005
	HK\$'000	HK\$'000
Final dividend paid	21,913	12,538
Proposed interim dividend of 1.6 cents (2005: 2.5 cents) per share	<u>18,330</u>	<u>12,538</u>
	<u>40,243</u>	<u>25,076</u>

On 31st August, 2006, a dividend of HK\$0.02 per share was paid to shareholders as the final dividend for the year ended 31st March, 2006.

At a meeting held on 15th December, 2006, the Directors recommended an interim dividend of HK\$1.6 cents per share for the six months ended 30th September, 2006 to the shareholders whose names appear in the register of members on 29th December, 2006. 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, 2007.

**6. Earnings per share**

The calculation of earnings per share is based on the net profit for the six months ended 30th September, 2006 of HK\$44,249,000 (2005: HK\$24,109,000) and on the weighted average number of ordinary shares of 1,042,324,373 (2005: 474,569,146) during the period.

7. Investment property

HK\$'000

At Valuation:

Balance at 31st March, 2006 and 30th September, 2006	<u>15,000</u>
--	---------------

Investment property was valued at their open market value at 31st March, 2006 by CB Richard Ellis, 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, 2006. Consequently, no gain or loss has been recognised in the current period.



8. Accounts receivables

	At 30th September, 2006 HK\$'000	At 31st March, 2006 HK\$'000
Accounts receivable arising from the business of dealing in securities:		
– Cash clients	78,964	69,093
– Margin clients:		
– Directors and their associates	–	511
– Other margin clients	557,533	330,429
– Clearing house	82,182	29,630
Accounts receivable from futures clearing houses arising from the business of dealing in futures contracts	8,324	7,562
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	108	58
	<u>727,111</u>	<u>437,283</u>

The settlement terms of accounts receivable from cash clients is two days after trade date, and from futures clearing house 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 variable 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 is 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.

The fair value of the accounts receivable at the balance sheet date was approximate the corresponding carrying amounts.



9. Loans and advances

	At 30th September, 2006 HK\$'000	At 31st March, 2006 HK\$'000
Loans principle	<u>98,565</u>	<u>67,789</u>
Less: Impairment allowances		
– Individual assessed	81	20
– Collective assessed	<u>45</u>	<u>48</u>
	<u>126</u>	<u>68</u>
	<u>98,439</u>	<u>67,721</u>
Fixed-rate loan receivables	57,452	37,721
Variable-rate loan receivables	<u>40,987</u>	<u>30,000</u>
	<u>98,439</u>	<u>67,721</u>
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the balance sheet date)	75,667	54,426
Non-current assets (receivables after 12 months from the balance sheet date)	<u>22,772</u>	<u>13,295</u>
	<u>98,439</u>	<u>67,721</u>

Fixed-rate loan receivables and variable-rate loan receivables amounted to HK\$11,171,000 are secured by mortgage loans properties and building mortgages, bearing interest at effective market interest rates.

The other fixed rate loan receivables and variable-rate loan receivables are unsecured, bearing interest at effective market interest rate.

All loans were granted in Hong Kong dollars.

The fair value of the Group's loans, and advances determined based on the present value of the estimated future cash flows discounted using the commercial variable interest rate at 30th September, 2006 approximates to the carrying amount.



10. Prepayments and deposits

Among others, a refundable sum of HK\$100 million was paid to Fast Profit Investments Limited as earnest money upon signing of the letter of intent for the proposed acquisition of 50% of the equity interest in, and the corresponding shareholder's loan due from, Great China Company Limited ("the acquisition"). If no definitive agreement relating to the acquisition is entered within 30 days (or such longer period as agreed), the entirety of the earnest money (without interest) will be refunded. The acquisition was announced on 7th September, 2006.

11. Accounts payable

	At 30th September, 2006 <i>HK\$'000</i>	At 31st March, 2006 <i>HK\$'000</i>
Accounts payable arising from the business of dealing in securities:		
– Cash clients	87,779	88,577
– Margin clients:		
– Directors and their associates	2,239	–
– Other margin clients	69,936	227,135
Accounts payable to clients arising from the business of dealing in futures contracts	16,129	11,585
Commission payable for brokerage of mutual funds and insurance-linked investment plans and products	148	37
	<u>176,231</u>	<u>327,334</u>

The settlement terms of accounts payable to cash clients and clearing house 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 ("HKFE"). The excesses of the outstanding amounts over the required initial margin deposits stipulated by the HKFE 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.



11. Accounts payable (Continued)

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 is settled immediately once the Group has received payments from fund managers/policy issuers. The age of this balance is within 60 days.

The fair value of the Group's accounts payable was approximate to the corresponding amount.

12. Convertible note

The Company issued convertible notes amounting to HK\$50,000,000, HK\$34,000,000 and HK\$34,000,000 on 9th June, 2006, 4th September, 2006 and 8th September, 2006 respectively. It bears interest rate of 4% 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 movement of the liability component of the convertible notes for the period is set out below:

	At 30th September, 2006 HK\$'000	At 31st March, 2006 HK\$'000
Balance brought forward	–	40,785
New issue	114,777	273,771
Effective interest	520	4,566
Interest payment	(441)	(3,945)
Partial conversion	(81,748)	(315,177)
	<u>33,108</u>	<u>–</u>

During the period, the convertible notes of principal amount of HK\$118,000,000 were issued, of which HK\$84,000,000 convertible notes were converted into 123,529,410 shares at the conversion price of HK\$0.68 per share.



12. Convertible note (Continued)

The fair value of the liability component of the convertible notes at the balance sheet date, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, approximates its carrying amount.

13. Commitments

Loan finance commitment

At 30th September, 2006, the Group had provided fund proof amounted to HK\$256,800,000 to Fit Top Investments Limited to make general offer in shares of CASH Retail Management Group Limited. The deal was completed on 30th November, 2006. The commitment of the Group was then fully discharged.

14. Related Party Transactions

Name of related party	Nature of transaction	Six months ended 30th September,	
		2006 HK\$'000	2005 HK\$'000
Fullink Developments Limited	Rental expense (Note i & vi)	–	137
Honeylink Agents Limited	Interest expenses (Note ii & vii) Share options (Note v & 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)	52	37
Liu Chong Hing Bank Limited	Interest expenses (Note iv & ix) Bank charges (Note iv & ix)	1,966 717	955 501

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% (2005: 0.125%) on the value of transactions. The rates were similar to rates offered to other clients of the Group.
- (iv) Bank interest and charges was paid at commercial rates which were similar to rates to the other banks.

**14. Related Party Transactions (Continued)**

Notes:

- (v) An option agreement dated 19th April, 2006 made between the Company and Honeylink Agents Limited ("Honeylink") in connection with the granting by the Company to Honeylink an option to subscribe for up to 400,000,000 new shares at the exercise prices of HK\$0.68-0.72 per share, of which 29,411,764 share options were exercised at HK\$0.68 per share during the period. As a result, 29,411,764 new shares were issued. As at 30th September, 2006, there were 370,588,236 outstanding option under the option agreement. The option consideration is amounting to HK\$2,000,000. The option agreement was approved by the independent shareholders in the extraordinary general meeting held on 1st June 2006.
- (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.

15. Post Balance Sheet Events

On 7th September, 2006, the Company announced that it entered into the non-legally binding letter of intent for the proposed acquisition of 50% of the equity interest in, and the corresponding shareholder's loan due from Great China Company Limited ("the proposed acquisition", "Great China"). A refundable sum of HK\$100 million was paid by the Company as earnest money upon signing of the letter of intent. Great China is currently operating, among other business, a hotel in Macau (namely, Grand Waldo Hotel), through one of its wholly-owned subsidiaries on a plot of land owned by it in Macau on which the hotel and other messages and buildings are erected.

On 6th October, 2006, the Company announced that an indirectly wholly-owned subsidiary, namely More Profit International Limited ("More Profit") is established for the proposed acquisition which is estimated to be HK\$988,500,000. On 6th October, 2006, More Profit entered into the subscription agreement with Dragon Rainbow Limited and Group Success International Limited in relation to the issue by More Profit, and the subscription by Dragon Rainbow Limited and Group Success International Limited of an aggregate of 5,000 shares, representing 50% of the enlarged issued share capital of More Profit. An extraordinary general meeting will be held on 28th December, 2006 for approval that transaction. Details of the transaction were contained in a circular to the shareholders of the Company dated 30th November, 2006.