

## **1. BASIS OF PREPARATION**

The Company is an investment holding company. The principal activities of its subsidiaries are the provision of stockbroking, futures and options broking, securities margin financing services and operation of distribution platforms for online advertising.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA").

## **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the HKSA, which has resulted in the adoption of the following new and revised accounting policies:

### **Goodwill**

In the current period, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to 1 April 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant business, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1 April 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

## **Intangible assets**

In prior years, the Group did not recognise any regular amortisation charge in respect of its trading rights due to the fact that the recoverable amount of the assets was considered to be in excess of their carrying amount. SSAP 29 "Intangible Assets" requires that all intangible assets should be amortised over their useful lives. Accordingly, in the current period, the Group has adopted a policy of amortisation of its trading rights over their estimated useful lives. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

License and right to use a web-site and trademark are amortised over their estimated useful lives.

## **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

### 3. SEGMENT INFORMATION

The turnover and contribution to (loss) profit before taxation of the Group, analysed by principal activity, were as follows:

Business segments	Turnover for the six months ended 30 September		Contribution to (loss) profit before taxation for the six months ended 30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of stockbroking, futures and options broking	15,024	21,758	(5,451)	11,168
Securities margin financing	3,423	3,915	3,131	2,507
Operation of distribution platforms for online advertising	107	—	(4,846)	—
	<u>18,554</u>	<u>25,673</u>	<u>(7,166)</u>	<u>13,675</u>
Gain on disposal of shares in HKEx			—	23,534
(Loss) profit before taxation			<u>(7,166)</u>	<u>37,209</u>

All of the activities of the Group are based in Hong Kong, thus, all of the turnover and (loss) profit before taxation are derived from Hong Kong.

### 4. TAXATION

Hong Kong Profits Tax for the six months ended 30 September 2001 is calculated at 16% on the assessable profits.

The Group did not have any significant unprovided deferred taxation for the period or as at the balance sheet dates.

### 5. DIVIDENDS

No dividend was paid during the six months ended 30 September 2001. The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2001.

Certain subsidiaries of the Group declared special dividends with an aggregate amount of HK\$25,000,000 to the then shareholders prior to the reorganization of the Group for the six months ended 30 September 2000.

## 6. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (loss) profit for the period attributable to shareholders	<b>(5,194)</b>	<b>35,252</b>
	<b>Number of shares</b>	
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<b>449,727</b>	<b>332,214</b>

The computation of the diluted loss per share for the six months ended 30 September 2001 does not assume the exercise of outstanding share options because the effect of exercising an option to subscribe for an additional share of the Company would result in a decrease of net loss per share.

The weighted average number of ordinary shares for the six months ended 30 September 2000 for the purposes of basic earnings per share has been adjusted for the bonus issue which was approved by the shareholders on 31 August 2001.

## 7. INTANGIBLE ASSETS

	<b>Trading rights</b>	<b>License and right to use a website and trademark</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2001	<b>50</b>	<b>—</b>	<b>50</b>
On acquisition of subsidiaries	<b>—</b>	<b>120,978</b>	<b>120,978</b>
At 30 September 2001	<b>50</b>	<b>120,978</b>	<b>121,028</b>
<b>AMORTISATION</b>			
Provided for the period	<b>3</b>	<b>4,032</b>	<b>4,035</b>
<b>CARRYING VALUES</b>			
At 30 September 2001	<b>47</b>	<b>116,946</b>	<b>116,993</b>
At 31 March 2001	<b>50</b>	<b>—</b>	<b>50</b>

Trading rights represent two trading rights in The Stock Exchange of Hong Kong Limited (the "SEHK") and one trading right in The Hong Kong Futures Exchange Limited (the "HKFE").

Trading rights are amortised over 9 years, and licence and right to use a website and trademark are amortised over 10 years.

## 8. ACCOUNTS RECEIVABLE

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities:		
- Cash clients	9,711	9,606
- Hong Kong Securities Clearing Company Limited ("HKSCC")	4,037	94
- Brokers	—	—
Accounts receivable from HKFE Clearing Corporation Limited ("HKFECC") arising from the ordinary course of business of dealing in futures contracts	1,127	1,654
Loans to securities margin clients	61,277	54,344
	<u>76,152</u>	<u>65,698</u>

The settlement terms of accounts receivable from cash clients, HKSCC, brokers and HKFECC are one to four days after the trade date.

Loans to securities margin clients are secured by clients' pledged securities, repayable on demand and bear interest at prevailing market rates. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

## 9. PLEDGED FIXED DEPOSIT

The Group had pledged a fixed deposit of HK\$2,068,000 (31 March 2001: HK\$2,035,000) to a bank to secure general banking facilities granted to the Group.

## 10. BANK BALANCES AND CASH

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Bank balances:		
- General accounts	65,573	79,044
- Trust accounts	29,621	17,219
- Segregated accounts	1,337	2,049
Cash in hand	6	2
	<u>96,537</u>	<u>98,314</u>

## 11. ACCOUNTS PAYABLE

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities:		
- Cash clients	34,484	17,952
- HKSCC	—	2,258
- Brokers	—	92
Accounts payable to clients arising from the ordinary course of business of dealing in futures contracts	2,412	3,621
Amounts due to securities margin clients	1,749	4,748
	<u>38,645</u>	<u>28,671</u>

The settlement terms of accounts payable to cash clients, HKSCC and brokers are two to four days after the trade date.

Accounts payable to clients arising from the ordinary course of business of dealing in futures contracts are margin deposits received from clients for their tradings of futures contracts on the HKFE. The excesses of the outstanding amounts over the required margin deposits stipulated by the HKFE are repayable to clients on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

Amounts due to securities margin clients are repayable on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

## 12. SHARE CAPITAL

	Number of shares '000	HK\$'000
<b>Ordinary shares of HK\$0.1 each</b>		
Authorised:		
At 1 April 2000	1,000	100
Increase during the year	999,000	99,900
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At 31 March 2001 and 30 September 2001	1,000,000	100,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
At 1 April 2000	1,000	—
Issue of shares on the reorganisation	1,000	100
Credited as fully paid from contributed surplus account	—	100
Issue of shares by capitalisation of share premium account	155,500	15,550
Placing and public offer of shares	52,500	5,250
	<hr/>	<hr/>
At 31 March 2001 and 1 April 2001	210,000	21,000
Issued in consideration for the acquisition of subsidiaries	20,000	2,000
Issue of bonus shares by capitalisation of share premium account	230,000	23,000
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At 30 September 2001	460,000	46,000
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### 13. RESERVES

	Share premium HK\$'000	Special reserve HK\$'000	Goodwill reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000	—	—	—	11,604	65,259	76,863
Shares issued at premium	57,750	—	—	—	—	57,750
Expenses in connection with the listing of the shares of the Company	(9,131)	—	—	—	—	(9,131)
Capitalisation	(15,550)	(100)	—	—	—	(15,650)
Surplus arising on the reorganisation	—	29,240	—	—	—	29,240
Realised on disposal of investments in securities	—	—	—	(11,604)	—	(11,604)
Goodwill on acquisition of business	—	—	(13,950)	—	—	(13,950)
Net profit for the year	—	—	—	—	34,116	34,116
Dividends paid	—	—	—	—	(25,000)	(25,000)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2001 and 1 April 2001	33,069	29,140	(13,950)	—	74,375	122,634
Shares issued at premium for the acquisition of subsidiaries	66,520	—	—	—	—	66,520
Capitalisation	(23,000)	—	—	—	—	(23,000)
Net loss for the period	—	—	—	—	(5,194)	(5,194)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 September 2001	<u>76,589</u>	<u>29,140</u>	<u>(13,950)</u>	<u>—</u>	<u>69,181</u>	<u>160,960</u>

The special reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the reorganisation of the Group.



#### 14. SHARE OPTIONS

The movements in the share options of the Company during the six months ended 30 September 2001 are as follows:

- (a) Share options granted under the share option scheme of the Company approved on 16 August 2000:

Name of directors	Exercise price per share HK\$	Date of grant	Exercise period	Number of share options	
				Granted during the period	Outstanding at 30 September 2001
Lam Kwok Hing	1.675	4 June 2001	7 June 2001 - 6 June 2004	10,500,000	10,500,000
Nam Kwok Lun	1.675	4 June 2001	7 June 2001 - 6 June 2004	10,500,000	10,500,000

- (b) Other share options granted:

Name	Exercise price per share HK\$	Date of grant	Exercise period	Number of share options	
				Granted during the period	Outstanding at 30 September 2001
Cestrich Investments Limited	1.9	29 June 2001	29 June 2001 - 28 June 2003	44,000,000	44,000,000

#### 15. COMMITMENTS

Since the last annual reporting date, the Group has settled its commitments of HK\$31,590,000 for the formation of a joint venture company.

As at 30 September 2001, the Group was committed to capital expenditures of HK\$7,800,000 and HK\$603,000 for licence fee for online securities trading platform and acquisition of computer equipment respectively.

## 16. ACQUISITION OF SUBSIDIARIES/BUSINESS

The acquisition of subsidiaries/business have been accounted for using the purchase method of accounting. The effect of the acquisition is summarised as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:		
Net tangible assets acquired	<b>2,282</b>	8,806
Intangible assets acquired	<b>120,978</b>	—
Minority interest	<b>(54,740)</b>	—
	<b>68,520</b>	8,806
Goodwill	—	13,950
Total consideration	<b>68,520</b>	22,756
Satisfied by:		
Cash	—	8,796
Shares allotted	<b>68,520</b>	13,960
	<b>68,520</b>	22,756
Net cash inflow (outflow) arising on acquisition		
Cash consideration	—	(8,796)
Bank balances and cash acquired	<b>3,424</b>	—
	<b>3,424</b>	(8,796)

The subsidiaries acquired did not make any significant contribution to the results of the Group during the interim period.

## 17. NON-CASH TRANSACTIONS

During the period, the Group acquired the entire issued share capital of Luckysurf International Limited by issuing 20,000,000 new ordinary shares of HK\$0.10 each of the Company. The total fair value of the shares issued by the Company on the date of acquisition was HK\$68,520,000.

During the period, the Group issued bonus shares of 230,000,000 shares of HK\$0.10 each of the Company by capitalisation of share premium account.

During the period, the Group entered into a finance lease arrangement in respect of assets with a total capital value at the inception of the lease of HK\$935,000.