

Notes:

(1) Principal accounting policies and basis of preparation

The unaudited interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The accounting policies and methods of computation used in preparation of these unaudited consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2001.

(2) Turnover

	Unaudited Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Fees and commission income	96,697	127,325
Interest income	19,318	–
Loss on trading of securities, options and futures	(4,998)	(19,760)
Information technology advisory income in Hong Kong	1,679	–
Sales of furniture and household goods, net of discounts and returns	465,991	237,905
Others	–	6,164
	<u>578,687</u>	<u>351,634</u>

(3) Income statement by business and geographical segments

For management purposes, the Group is currently organised into four main operating divisions, namely, financial services, retailing, information technology and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Principal activities were as follows:

Financial services	Broking, financing, proprietary trading and corporate finance services
Retailing	Sales of furniture and household goods
Information technology	Providing information technology advisory services
Investment holding	Strategic investment

Segment information about these businesses for the six months ended 30 June 2002 and 30 June 2001 is presented below:

*For the six months ended 30 June 2002*

	Financial services HK\$'000	Retailing HK\$'000	Information technology HK\$'000	Investment holding HK\$'000	Consolidated HK\$'000
Turnover	111,877	462,697	1,679	2,434	578,687
Segment (loss)/profit	(13,408)	664	(23,872)	4,026	(32,590)
Unallocated corporate expenses					(36,923)
Impairment loss of property and equipment					(935)
Gain realised on expiry of placing warrants					59,573
Loss before taxation					(10,875)
Taxation credit					-
Net loss attributable to shareholders					(10,875)

*For the six months ended 30 June 2001*

	Financial services HK\$'000	Retailing HK\$'000	Information technology HK\$'000	Investment holding HK\$'000	Consolidated HK\$'000 (restated)
Turnover	127,325	237,905	-	(13,596)	351,634
Segment (loss)/profit	(51,897)	12,503	(43,093)	(181,366)	(263,853)
Unallocated corporate expenses					(29,543)
Loss before taxation					(293,396)
Taxation credit					(11)
Net loss attributable to shareholders					(293,407)

**Geographical segments**

The Group's information technology operations and other operations for the period were located in Hong Kong. The Group's turnover for the current period was derived from Hong Kong.

(4) Other revenue

	Unaudited	
	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Gain realised on expiry of placing warrants (W580) ("Placing Warrants")	59,573	—
	<u>59,573</u>	<u>—</u>

On 14 July 2000, the Company issued 496,400,000 Placing Warrants to independent investors at a price of HK\$0.12 per Placing Warrant and the proceeds of HK\$59,573,000 received from placing were credited to other reserve. On 1 February 2002, Placing Warrants remained unexercised and lapsed. As a result, the placing proceeds were recognised in the profit and loss account upon expiry.

(5) Taxation

Hong Kong Profits Tax was provided at 16% on the Group's estimated assessable profits arising in Hong Kong.

(6) Loss per share

The calculation of basic loss per share for the six months ended 30 June 2002 together with the comparative figures for 2001 is based on the following data:

	Unaudited	
	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Loss for the purpose of basic loss per share calculation	(10,875)	(293,407)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>318,467,629</u>	<u>309,244,661</u>

The weighted average number of ordinary shares for the six months ended 30 June 2001 for the purposes of basic loss per share has been adjusted for the share consolidation on 26 April 2002.

No diluted loss per share is shown for the above two periods because the dilution effects arising from the exercises of all dilutive potential ordinary shares would be anti-dilutive.

## (7) Accounts receivable

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing house, brokers and dealers	31,463	10,928
Cash clients	24,867	11,817
Margin clients	213,554	221,456
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	35,882	43,674
Trade debtors:		
Retailing	875	2,997
Information technology advisory and others	540	–
	<u>307,181</u>	<u>290,872</u>

The settlement terms of accounts receivable arising from the business of dealing in securities and equity options were two days after trade date, and accounts receivable arising from the business of dealing in futures and options were one day after trade date.

Except for the loans to share margin clients as mentioned below, all the above balances aged within 30 days.

Loans to share margin clients were secured by clients' pledged securities, repayable on demand and bore interest at commercial rates. No aging analysis is disclosed as in the opinion of Directors, the aging analysis does not give additional value in view of the nature of business of share margin financing. Included in accounts receivable from margin clients arising from the business of dealing in securities was an amount of approximately HK\$26,361,000 (At 31 December 2001: 25,220,000) due from companies controlled by Kwan Pak Hoo Bankee. The amount was secured by pledged securities and repayable on demand, and bore interest at commercial rates which were similar to the rates offered to other margin clients. The maximum amount outstanding therefrom during the period was HK\$28,701,000 (For the year ended 31 December 2001: HK\$25,220,000).

The aging analysis of trade debtors – retailing and information technology advisory and others was as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Current to 30 days	1,134	2,609
31 – 60 days	281	388
	<u>1,415</u>	<u>2,997</u>

The Group allowed an average credit period of 60 days to its trade debtors.

(8) Accounts payable

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	232,653	243,866
Margin clients	37,830	52,575
Accounts payable to clients arising from the business of dealing in futures and options	137,477	119,826
Trade creditors – retailing	123,478	131,779
	<u>531,438</u>	<u>548,046</u>

The settlement terms of accounts payable arising from the business of dealing in securities were two days after trade date. Except for the amounts payable to share margin clients, the age of these balances was within 30 days.

Amounts due to share margin clients were repayable on demand. No aging analysis is disclosed as in the opinion of Directors, the aging analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures and options were margin deposits received from clients for their trading of futures and options. The excess of the outstanding amounts over the required margin deposits stipulated were repayable to clients on demand. No aging analysis is disclosed as in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of business of futures and options dealing.

The aging analysis of trade creditors - retailing was as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
0 – 30 days	8,674	35,671
31 – 60 days	12,910	30,784
61 – 90 days	14,616	24,989
Over 90 days	87,278	40,335
	<u>123,478</u>	<u>131,779</u>

(9) Share capital

	Notes	Number of shares '000	Amount HK\$'000
AUTHORISED			
Ordinary shares of HK\$0.10 each at 1 January 2002		10,000,000	1,000,000
Reduced due to Share Consolidation	a(i)	(9,500,000)	—
Ordinary shares of HK\$2.00 each		500,000	1,000,000
Reduced due to Capital Reduction	a(ii)	—	(950,000)
Ordinary shares of HK\$0.10 each		500,000	50,000
Share cancellation of unissued share capital	a(iii)	(180,283)	(18,028)
Increase in authorised share capital	a(iii)	180,283	18,028
Ordinary shares of HK\$0.10 each at 30 June 2002		<u>500,000</u>	<u>50,000</u>
ISSUED AND FULLY PAID			
Ordinary shares of HK\$0.10 each at 1 January 2002		6,394,355	639,435
Reduced due to Share Consolidation	a(i)	(6,074,637)	—
Ordinary shares of HK\$2.00 each		319,718	639,435
Reduced due to Capital Reduction	a(ii)	—	(607,463)
Ordinary shares of HK\$0.10 each		319,718	31,972
Exercise of warrants	(b)	0.263	0.0263
Shares repurchased and cancelled	(c)	(14,242)	(1,424)
Ordinary shares of HK\$0.10 each at 30 June 2002		<u>305,476</u>	<u>30,548</u>

*Notes:*

- (a) Pursuant to the special resolution passed by the shareholders at the special general meeting of the Company held on 25 April 2002, the Company:
  - (i) consolidated every 20 issued and unissued shares of HK\$0.10 each into one share of HK\$2.00 each ("Consolidated Share(s)") ("Share Consolidation");
  - (ii) reduced the issued share capital by cancelling paid up capital to the extent of HK\$1.90 on each of the Consolidated Shares in issue ("Capital Reduction");
  - (iii) cancelled all of the authorised but unissued share capital and forthwith upon such cancellation, increased the authorised share capital to HK\$50,000,000.00 by the creation of additional new shares of HK\$0.10 each; and
  - (iv) transferred the credit amount arising from the Capital Reduction of HK\$607,463,726.70 to the contributed surplus account.
- (b) During the period, a total amount of HK\$3,419.00 bonus warrants (W284) ("Bonus Warrants") were exercised by warrantholders to subscribe for a total number of 263 shares in the Company at the adjusted subscription price of HK\$13.00 per share.
- (c) During the period, the Company repurchased 14,242,000 shares in the Company at a total consideration (before expenses) of HK\$26,588,460.00. All the shares repurchased were cancelled upon repurchase.

(10) Reserves

		Share premium	Contributed surplus	General reserve	Other reserve	(Accumulated losses)/ Retained profits	Total
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002		294,035	519,500	1,160	71,887	(623,446)	263,136
Increased due to Capital Reduction	(a)	-	607,464	-	-	-	607,464
Transfer from contributed surplus to set off accumulated losses	(b)	-	(669,503)	-	-	669,503	-
Shares issued upon exercise of Bonus Warrants		3	-	-	-	-	3
Premium arising from repurchase of shares		(25,295)	-	-	-	-	(25,295)
Gain realised on expiry of Placing Warrants	(c)	-	-	-	(59,573)	-	(59,573)
Net loss for the period		-	-	-	-	(10,875)	(10,875)
At 30 June 2002		<u>268,743</u>	<u>457,461</u>	<u>1,160</u>	<u>12,314</u>	<u>35,182</u>	<u>774,860</u>

Notes:

- (a) Please refer to the notes of share capital.
- (b) Pursuant to the minutes of a directors' meeting held on 16 May 2002, an amount of HK\$669,502,735.00 was transferred from the contributed surplus account to set off against the accumulated losses of the Company at 31 December 2001.
- (c) The gain referred to the proceeds received from issuing the Placing Warrants to independent investor on 14 July 2000 at a price of HK\$0.12 per warrant. On 1 February 2002, the Placing Warrants remained unexercised and lapsed. The proceeds credited to other reserves was recognised in the profit and loss account accordingly.