

Notes:

(1) 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").

(2) Adoption of SSAP and change in accounting policy

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 2002, except as described below:

Income Taxes

In the current period, the Group has adopted, for the first time, the SSAP 12 (Revised) "Income Taxes". Under SSAP 12 (Revised), the principal effect is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method. Pursuant to the method, a liability was recognised in respect of timing difference arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit with limited exceptions.

The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

(3) Turnover

	Unaudited	
	six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Fees and commission income	60,764	96,697
Interest income	782	19,318
Loss on trading of securities, options and futures	(7,801)	(4,998)
Information technology advisory income and sale of computer accessories products	1,888	1,679
Sales of furniture and household goods, net of discounts and returns	388,316	465,991
Wholesale and retailing of cosmetic and skin care products	1,163	—
	<u>445,112</u>	<u>578,687</u>

(4) Income statement by business and geographical segments

Business 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 are 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 and sale of computer accessories products
Investment holding	Strategic investment

Segment information about these businesses for the six months ended 30 June 2003 and 30 June 2002 is presented below:

Income statement for the six months ended 30 June 2003

	Financial services HK\$'000	Retailing HK\$'000	Information technology HK\$'000	Investment holding HK\$'000	Consolidated HK\$'000
Turnover	55,757	385,529	1,888	1,938	445,112
Segment (loss) profit	(11,632)	(14,378)	(1,893)	1,938	(25,965)
Unallocated corporate expenses					(31,434)
Partial reversal of allowance for a loan to an associate					26,500
Impairment loss of property and equipment					(1,580)
Loss before taxation					(32,479)
Taxation credit					—
Net loss attributable to shareholders					(32,479)

Income statement 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)

Geographical segments

The Group's turnover and loss before taxation for both periods were substantially derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

(5) Other revenue

	Unaudited six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Gain realised on expiry of placing warrants (W580) ("Placing Warrants")	—	59,573
Partial reversal of allowance for a loan to an associate	26,500	—
	26,500	59,573

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.

(6) Taxation

No provision for Hong Kong Profits Tax has been made as the Group incurred tax losses for each of the above periods.

The net deferred tax asset has not been recognised in the financial statements due to the unpredictability of future taxable profit streams.

At the balance sheet date, the components of the unprovided deferred taxation assets (liabilities) were as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Tax effect of timing difference because of:		
Estimated tax losses	82,871	78,344
Excess of tax allowances over depreciation	(11,452)	(11,796)
	<u>71,419</u>	<u>66,548</u>

The amounts of unprovided deferred taxation credit (charge) for the period/year were as follows:

	For the six months ended 30 June 2003 (Unaudited) HK\$'000	For the year ended 31 December 2002 (Audited) HK\$'000
Tax effect of timing difference because of:		
Estimated tax losses arising	1,768	18,774
Shortfall (Excess) of tax allowances over depreciation	455	(1,619)
Effect of change in tax rate	6,326	—
	<u>8,549</u>	<u>17,155</u>

(7) Loss per share

The calculation of basic and diluted loss per share for the six months ended 30 June 2003 together with the comparative figures for 2002 is based on the following data:

	Unaudited six months ended 30 June 2003 HK\$'000	2002 HK\$'000
Loss for the purpose of basic and diluted loss per share calculation	<u>(32,479)</u>	<u>(10,875)</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>314,765,595</u>	<u>318,467,629</u>

The computation of diluted loss per share for the above two periods does not assume the exercise of the Company's outstanding share options as the exercise price of these options was higher than the average market price of shares for both periods.

(8) Accounts receivable

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing house, brokers and dealers	20,873	5,254
Cash clients	24,561	29,433
Margin clients	157,510	100,467
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	29,451	36,887
Trade debtors	31,478	550
	<u>263,873</u>	<u>172,591</u>

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

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

Loans to 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 share margin financing.

Included in accounts receivable from margin clients arising from the business of dealing in securities is an amount of approximately HK\$9,318,000 (At 31 December 2002: HK\$8,862,000) due from company controlled by Kwan Pak Hoo Bankee. The amount is secured by pledged securities and repayable on demand, and bear interest at commercial rates which are similar to the rates offered to other margin clients. The maximum amount outstanding therefrom during the period was HK\$9,318,000 (For the year ended 31 December 2002: HK\$28,575,000).

The aged analysis of trade debtors is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
0 – 30 days	30,165	326
31 – 60 days	464	120
61 – 90 days	773	76
Over 90 days	76	28
	<u>31,478</u>	<u>550</u>

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

(9) Accounts payable

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	209,416	158,188
Margin clients	42,635	28,053
Accounts payable to clients arising from the business of dealing in futures and options	115,385	149,549
Trade creditors	<u>130,281</u>	<u>154,236</u>
	<u>497,717</u>	<u>490,026</u>

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

Amounts due to 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 share margin financing.

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

The aged analysis of trade creditors is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
0 – 30 days	30,350	40,785
31 – 60 days	30,569	29,813
61 – 90 days	31,670	33,516
Over 90 days	37,692	50,122
	<u>130,281</u>	<u>154,236</u>

(10) Share capital

	Note	Number of shares '000	Amount HK\$'000
AUTHORISED			
Ordinary shares of HK\$0.10 each at 1 January 2003 and 30 June 2003		<u>500,000</u>	<u>50,000</u>
ISSUED AND FULLY PAID			
Ordinary shares of HK\$0.10 each at 1 January 2003		305,484	30,548
Issue of new shares	12	<u>60,000</u>	<u>6,000</u>
Ordinary shares of HK\$0.10 each at 30 June 2003		<u>365,484</u>	<u>36,548</u>

(11) Reserves

	Notes	Unaudited six months ended 30 June 2003						2002
		Share premium HK\$'000	Contributed surplus HK\$'000	General reserve HK\$'000	Other reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Total HK\$'000	Total HK\$'000
Beginning of the six months period		268,848	457,461	1,160	12,314	(394,526)	345,257	263,136
Increase due to capital reduction		-	-	-	-	-	-	607,464
Shares issued upon exercise of bonus warrants		-	-	-	-	-	-	3
Gain realised on expiry of placing warrants		-	-	-	-	-	-	(59,573)
Premium arising from issue of new shares/(repurchase of shares)	(a)	10,094	-	-	-	-	10,094	(25,295)
Amount transferred to write off accumulated losses	(b)	-	(441,037)	-	-	441,037	-	-
Net loss for the period		-	-	-	-	(32,479)	(32,479)	(10,875)
End of the six months period		278,942	16,424	1,160	12,314	14,032	322,872	774,860

Notes:

- (a) Please refer to note 12 to the consolidated balance sheet below.
- (b) Pursuant to the minutes of a directors' meeting held on 5 May 2003, an amount of HK\$441,037,091 was transferred from the contributed surplus account to set off against the accumulated losses of the Company as at 31 December 2002.

(12) Top-up placing of shares

Pursuant to a placing and top-up agreement dated 22 May 2003, 60,000,000 existing shares of HK\$0.10 each held by Cash Guardian Limited ("Cash Guardian") were placed to various independent investors at a price of HK\$0.275 on 27 May 2003 and 60,000,000 new shares of HK\$0.10 each were issued to Cash Guardian at the same price on 3 June 2003 upon completion of the top-up placing. The proceeds, after expenses of approximately HK\$406,000, totalled HK\$16.1 million was intended to be used by the Company as general working capital.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2003 (2002: Nil).

REVIEW AND OUTLOOK**Financial Review**

For the six months ended 30 June 2003, our Group recorded a 23.1% decrease in turnover to HK\$445.1 million when compared with the same period last year. During the period under review, the Group had faced the most severe economic woes in these years as the outbreak of Severe Acute Respiratory Syndrome ("SARS") had caused disastrous impacts on different business sectors across the city for a period of more than three months. The economic doldrums had made both investment and consumer sentiments hit rock bottom during the period. Our Group's financial services business suffered a 50.2% decrease in turnover as the local securities market had been hibernating since the beginning of this year and the turnover in securities trading had further shrunk to a record low level in the wake of SARS outbreak in March. The 16.7% decrease in sales of the Group's furniture and household products speaks of the tough environment for the entire retail sector which had long been plagued by the ever-rising unemployment rates to record high and by the years-long deflationary pressure on the local economy. The SARS outbreak, lasting for more than three months from end of March to end of June, had further dampened already weak consumer market as the highly contagious disease had scared away consumers from the crowded shopping outlets and entertainment complex. To reduce the adverse effects brought