Notes to Condensed Interim Financial Statements

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements ("Interim Financial Statements") are prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Financial Statements are prepared on a basis consistent with the accounting policies adopted in the 2005 annual financial statements except for the changes in accounting policies made thereafter in adopting certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") issued by HKICPA which are expected to be reflected in the 2006 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2 EFFECT OF CHANGES IN ACCOUNTING POLICIES

The Group has adopted the new/revised HKFRSs and HKASs which are pertinent to its operations and have resulted in changes to the Group's accounting policies. The 2005 comparatives have been restated as required, in accordance with the relevant requirements.

The adoption of the new/revised HKFRSs and HKASs has the following impact on the Group's accounting policies:

(a) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Until 30 June 2005, investments of the Group were classified as "marketable securities", "long-term investments" and "other investments" respectively. They were stated at fair value, estimated fair value, cost plus/less any discount/premium amortised to date or cost less provision for impairment losses at the balance sheet date. Any unrealised gains less losses, impairment losses arising from the valuation of the investments and amortisation of discount/premium were dealt with in the income statement.

From 1 July 2005, in accordance with HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "held-to-maturity investments", "loans and receivables" and "other financial assets". The classification depends on the purpose for which the assets are acquired.

— Held-to-maturity investments comprised of non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. The investments are carried at amortised cost using the effective interest method less provision for impairment.

2 EFFECT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(a) (Continued)

— Financial assets held for trading and those that are designated as fair value through profit or loss at inception are classified as financial assets at fair value through profit or loss and measured at fair value. The fair value is based on the quoted market price without any deduction for estimated future selling costs and provisions. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

— Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivable and carried at amortised cost using effective interest method, less provision for impairment, if any and accounted for in the income statement.

— Financial liabilities held for trading or those designated at fair value through profit or loss at inception are classified as financial liabilities at fair value through profit or loss and measured at fair value.

These changes were adopted by way of an adjustment to the opening balances of retained profits and minority interests as at 1 July 2005 as shown in note 2(g). Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(b) The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Prior to this, goodwill on acquisitions occurring on or after 1 July 2001 was included as intangible assets and was amortised using the straight-line basis over its estimated useful life. Goodwill on acquisitions that occurred prior to 1 July 2001 was taken to capital reserve. Any impairment arising on such goodwill is accounted for in the income statement.

Following the adoption of HKFRS 3, HKAS 36 and HKAS 38, goodwill is no longer amortised but instead is subject to rigorous annual impairment testing, including in the year of its initial recognition. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

2 EFFECT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(b) (Continued)

If the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the current accounting policy), the excess is recognised immediately in the income statement as it arises.

Also, in accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) is not recognised in the income statement on disposal or impairment of the acquired business, or under any other circumstances.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 does not have any significant impact on the Group's Interim Financial Statements.

(c) The adoption of HKAS 38 results in a change of the useful lives of intangible assets according to the provision of HKAS 38. Intangible assets with amortisation on a straight line basis over its estimated useful lives are changed to indefinite useful life. Accumulated amortisation as at 30 June 2005 has been eliminated with a corresponding decrease in the cost of these intangible assets.

(d) The adoption of revised HKAS 40 has resulted in a change in accounting policy for the Group's investment properties. In prior years, increases in the valuation of investment properties were credited to the investment property revaluation reserve while decreases in the valuation of investment properties were first set off against the surplus of the investment property revaluation reserve and thereafter charged to the income statement. Following the adoption of HKAS 40, all changes in valuation of investment properties are to be recognised in the income statement.

This change was adopted by way of recognising the valuation gain in the income statement and had no effect on the comparative amounts as no investment property was held as at 30 June 2005.

(e) The adoption of HKFRS 2 results in a change in the accounting policy for share based transactions. In prior years, no amounts were recognised when employees (including directors) were granted share options over shares in the Company. If the employees choose to exercise the options, the nominal amount of share capital and share premium are credited only to the extent of the option's exercise price receivable.

Upon the adoption of HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement. A corresponding increase will be recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

(Expressed in Hong Kong dollars)

2 EFFECT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(e) (Continued)

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve is transferred directly to retained earnings.

The Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the options granted to employees after 7 November 2002 but which had vested before 1 July 2005.

(f) The adoption of HKAS 1 has affected the presentation of minority interests. Prior to this, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the period were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

Following the adoption of HKAS 1, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the Company.

The presentation of minority interests in the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity for the comparative period has been restated accordingly.

(g) Effect on opening balance of total equity (as adjusted)

The following table sets out the adjustments that have been made to the opening balances as at 1 July 2005. These are the aggregate effect of retrospective adjustment to the net assets as at 30 June 2005 and the opening balance adjustment made as at 1 July 2005.

Effect of new policy (increase/(decrease))	**Retained profits**	**Capital and other reserves**	**Total**	**Minority interests**	**Total equity**
Prior period adjustment:					
HKFRS 2					
Equity settled share-based transactions	$ (32,809)	$ 32,809	$ —	$ —	$ —
Opening balance adjustment:					
HKAS 39					
Financial assets/liabilities held at fair value through profit or loss	13,626,882	—	13,626,882	5,994,844	19,621,726
Total effect at 1 July 2005	$ 13,594,073	$ 32,809	$ 13,626,882	$ 5,994,844	$ 19,621,726

(Expressed in Hong Kong dollars)

2 EFFECT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(g) (Continued)

The following table sets out the adjustment that has been made to the opening balances at 1 July 2004.

Effect of new policy (increase/(decrease))	Retained profits	Capital and other reserves	Total	Minority interests	Total equity
Prior period adjustment:					
HKFRS 2					
Equity settled share-based transactions	$ (21,867)	$ 21,867	$ —	$ —	$ —
Total effect at 1 July 2004	$ (21,867)	$ 21,867	$ —	$ —	$ —

(h) Effect on profit after taxation for the six months ended 31 December 2005 (estimated) and 31 December 2004 (as adjusted)

In respect of the six-month period ended 31 December 2005, the following table provides estimate of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six-month period ended 31 December 2004, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the transactional provisions of the respective HKFRSs. As retrospective adjustments have not been made for all changes in policies, the amounts shown for the six-month period ended 31 December 2004 may not be comparable to the amounts shown for the current interim period.

	Six months ended 31 December 2005			Six months ended 31 December 2004		
Effect of new policy (increase/(decrease))	**Equity holders of the Company**	**Minority interests**	**Total**	Equity holders of the Company	Minority interests	Total
HKFRS 2						
Equity settled share-based transactions	**$ 32,807**	**$ —**	**$ 32,807**	$ 32,809	$ —	$ 32,809
HKAS 38						
Intangible assets	**(191,654)**	**—**	**(191,654)**	—	—	—
HKAS 39						
Financial assets/liabilities	**5,794,704**	**6,215,344**	**12,010,048**	—	—	—
HKAS 40						
Investment properties	**(33,391,444)**	**—**	**(33,391,444)**	—	—	—
Total effect for the period	**$(27,755,587)**	**$ 6,215,344**	**$(21,540,243)**	$ 32,809	$ —	$ 32,809
Effect on earnings per share:						
— basic			**(0.66 cent)**			—
— diluted			**N/A**			—

(Expressed in Hong Kong dollars)

3 SEGMENT INFORMATION

(a) By business segments

The Group's activities are organised under the following business segments:

Investment in securities	:	Investment in securities for treasury and liquidity management
Merchant banking	:	Investment in structured deals including listed and unlisted equity, debt securities and investment properties
Brokerage	:	Provision of stock and futures brokerage services, margin and other financing, and other related services
Investment banking	:	Provision of financial advisory services to corporate clients in connection with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and acting as underwriting and placing agent in the equity capital market
Private equity	:	Provision of real estate services, asset management and related advisory services to private equity funds and private clients
Wealth management	:	Provision of wealth management services to authorised unit trusts, Mandatory Provident Funds ("MPF") and private clients

Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred.

Net gains from revaluation of investment properties are included in the segment result for the merchant banking segment.

	Six months ended 31 December 2005							
	Investment in securities	Merchant banking	Brokerage	Investment banking	Private equity	Wealth management	Others	Consolidated
Revenues								
Turnover	$ (4,670,581)	$ 29,055,578	$ 25,502,074	$ 16,843,603	$ 3,023,900	$ 1,111,597	$ 298,275	$ 71,164,446
Inter-segment revenues	213,970	—	4,282,716	—	1,030,570	5,115,143	7,290,530	17,932,929
Other income	—	—	1,143,039	230,027	200	—	868,926	2,242,192
	$ (4,456,611)	$ 29,055,578	$ 30,927,829	$ 17,073,630	$ 4,054,670	$ 6,226,740	$ 8,457,731	$ 91,339,567
Eliminations								(17,932,929)
Total revenues								$ 73,406,638
Segment results	$ (16,279,473)	$ 61,798,909	$ 4,749,190	$ 8,008,198	$ 1,146,379	$ 501,026	$ (9,329,247)	$ 50,594,982
Share of (losses)/ profits of associates	$ —	$ (208,280)	$ (82,068)	$ —	$ 75,930	$ —	$ —	(214,418)
Share of losses of a jointly controlled entity	—	—	—	—	—	—	—	—
Profit before taxation								$ 50,380,564

(Expressed in Hong Kong dollars)

3 SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

	Six months ended 31 December 2004							
	Investment in securities	Merchant banking	Brokerage	Investment banking	Private equity	Wealth management	Others	Consolidated
Revenues								
Turnover	$ 38,086,409	$ 25,321,625	$ 19,471,246	$ 10,641,519	$ 492,429	$ 994,493	$ 1,777,064	$ 96,784,785
Inter-segment revenues	960	—	2,509,338	300,000	—	9,421,518	3,822,600	16,054,416
Other income	—	4,112,269	—	—	—	—	4,306,080	8,418,349
	$ 38,087,369	$ 29,433,894	$ 21,980,584	$ 10,941,519	$ 492,429	$ 10,416,011	$ 9,905,744	$ 121,257,550
Eliminations								(16,054,416)
Total revenues								$ 105,203,134
Segment results (as restated)	$ 20,969,964	$ 25,985,656	$ 2,516,489	$ (362,665)	$ (619,477)	$ 6,172,084	$ (5,827,839)	$ 48,834,212
Share of profits/ (losses) of associates	$ —	$ 3,195,670	$ (75,192)	$ —	$ 60,843	$ —	$ —	3,181,321
Share of losses of a jointly controlled entity	—	—	—	—	—	—	(72,000)	(72,000)
Profit before taxation (as restated)								$ 51,943,533

(b) By geographical segments

The following table provides an analysis of the Group's turnover by geographical markets:

	Six months ended 31 December	
	2005	2004
Hong Kong	**$ 40,022,615**	$ 84,346,971
The People's Republic of China (the "PRC")	**2,588,620**	1,504,147
Japan	**29,177,743**	(48,276)
Other markets	**(624,532)**	10,981,943
	$ 71,164,446	$ 96,784,785

(Expressed in Hong Kong dollars)

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after crediting/(charging):

	Six months ended 31 December	
	2005	2004 (restated)
Dividend income from listed securities	**$ 3,975,789**	$ 1,584,931
Rental income from land and buildings	**53,928**	226,080
Interest income from		
— bank deposits	**1,714,606**	526,653
— others	**5,738,937**	3,432,993
Write back of doubtful debts (net)	**880,000**	213,983
Profit on disposal of an investment property	**—**	4,000,000
Net gain on disposal of other properties and equipment	**—**	80,000
Net exchange gain	**—**	4,112,269
Staff costs	**$ (35,608,198)**	$ (34,280,234)
Operating leases — land and buildings	**(976,212)**	(1,135,106)
Depreciation of other properties and equipment	**(1,253,412)**	(1,574,223)
Amortisation of intangible assets	**—**	(191,654)
Interest expenses on		
— bank loans and overdrafts	**(2,088,896)**	(412,413)
— others	**(3,962,382)**	—
Net loss on disposal of other properties and equipment	**(17,911)**	—
Net exchange loss	**(1,833,487)**	—

(Expressed in Hong Kong dollars)

5 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the period. Overseas taxation is charged at the appropriate current rates of taxation ruling in the relevant countries. The amount of taxation charged to the consolidated income statement represents:

	Six months ended 31 December	
	2005	2004
Current tax — Provision for Hong Kong Profits Tax		
— Tax for the period	**$ 1,317,514**	$ —
— Over provision in respect of prior periods	**(895,767)**	(9,066,559)
	$ 421,747	$ (9,066,559)
Deferred taxation	**15,888,380**	—
Share of taxation attributable to associates	**42,915**	425,325
Taxation charge/(credit)	**$ 16,353,042**	$ (8,641,234)

The Group has not recognised deferred tax assets in respect of tax losses of approximately $236 million (30 June 2005: $213 million). The tax losses do not expire under current tax regulation.

6 DIVIDENDS

(a) Dividends attributable to the interim period

	Six months ended 31 December	
	2005	2004
Interim dividend of 0.33 cent (2004: 0.33 cent) per share	**$ 10,719,139**	$ 10,719,139

At a meeting held on 10 February 2006, the directors declared an interim dividend of 0.33 cent per share, totalling $10,719,139 *(note 17)* based on the number of shares in issue at 10 February 2006. This dividend is not reflected as a dividend payable in these Interim Financial Statements.

(b) Final dividend attributable to the financial year ended 30 June 2005

At a meeting held on 16 September 2005, the directors proposed a final dividend of 0.67 cent per shares for the year ended 30 June 2005, totalling $21,763,100 *(note 17)* based on the number of shares in issue at 16 September 2005. On 6 December 2005, the final dividend was paid to shareholders and has been reflected as an appropriation of retained profits in the current period.

7 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of $26,214,660 (2004: $60,654,877) for the interim period.

The basic earnings per share is calculated based on the weighted average of 3,248,223,906 (2004: 3,242,106,989) ordinary shares in issue during the period.

Diluted earnings per share for the period has not been disclosed as the outstanding share options have no dilutive effects on the basic earnings per share for the period, as their exercise prices were above the average market price of the shares during the period.

The calculation of diluted earnings per share for the prior period was based on 3,266,470,651 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 24,363,662 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

8 INVESTMENT PROPERTIES

The investment properties carried at fair value were revalued at 31 December 2005 by RHL Appraisal Limited, an independent firm of chartered surveyors, on the basis of open market value. As a result of the update, a net gain of $46,362,050 (2004: $Nil), and deferred tax thereon of $12,970,606 (2004: $Nil), have been included in the consolidated income statement.

9 INTEREST IN A JOINTLY CONTROLLED ENTITY

In prior years, the Group had recognised a full impairment loss provision against the cost of investment in a jointly controlled entity, ZJ Kingsway Finance Holdings Company Limited, in which the Group has a 30% equity interest.

(Expressed in Hong Kong dollars)

10 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	Note	**31 December 2005**	30 June 2005
Accounts and loans receivable, net of impairment losses:			
Amounts due from brokers and clearing houses	*(a)*	**$ 132,150,239**	$ 304,037,333
Amounts due from margin clients	*(b)*	**83,253,053**	80,166,275
Amounts due from cash clients	*(c)*	**5,926,377**	24,491,360
Loan receivables	*(d)*	**6,510,916**	27,892,739
Others		**6,634,536**	9,819,094
		$ 234,475,121	$ 446,406,801
Prepayments, deposits and other receivables	*(e)*	**14,585,514**	77,602,354
		$ 249,060,635	$ 524,009,155

The ageing analysis of accounts and loans receivable is as follows:

	31 December 2005	30 June 2005
Current and within one month	**$ 232,862,911**	$ 443,571,736
More than one month and less than three months	**715,732**	1,174,317
More than three months	**896,478**	1,660,748
	$ 234,475,121	$ 446,406,801

Notes:

(a) Amounts due from brokers and clearing houses are required to be settled on the settlement day determined under the relevant market practices or exchange rules.

The Group maintains clients' monies arising from the ordinary course of business of dealing in options and futures contracts in trust with HKFE Clearing Corporation Limited ("HKFECC"). At 31 December 2005, the Group held $7,978,423 (30 June 2005: $5,667,809) with HKFECC in trust for clients which was not dealt with in these Interim Financial Statements.

(b) Margin clients of the brokerage division are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates.

(c) There are no credit facilities granted to cash clients of the brokerage division. They are required to settle their securities trading balances on the settlement day determined under the relevant market practices or exchange rules.

(d) The credit terms for loans granted by the Group's brokerage division are set by management with reference to the financial background and the value and nature of collateral pledged by the borrower.

(e) As at 30 June 2005, the balance included an amount of $55,716,157 placed with a property developer in the PRC as a deposit for the purchase of the investment properties in Beijing, the PRC, details of which are disclosed in note 18(c)(ii) on the Interim Financial Statements. Such deposit was transferred to cost of the investment properties in December 2005 upon completion of the transaction.

(Expressed in Hong Kong dollars)

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2005	30 June 2005
Listed equity securities, at fair value	**$ 308,306,145**	$ 332,943,494
Unlisted securities, at fair value		
— equity securities	**$ 1,170,300**	$ 31,825,700
— authorised unit trust funds	**14,038,578**	12,563,228
— debt securities	**62,127,743**	1,280,000
Total unlisted securities, at fair value	**$ 77,336,621**	$ 45,668,928
	$ 385,642,766	$ 378,612,422
Market value of listed equity securities	**$ 308,306,145**	$ 357,040,327

12 CASH AND CASH EQUIVALENTS

The Group maintains segregated clients' accounts with licensed banks to hold clients' monies arising from normal business transactions in connection with the Group's brokerage and asset management activities. As at 31 December 2005, segregated clients' accounts not otherwise dealt with in these Interim Financial Statements amounted to $315,896,194 (30 June 2005: $278,411,334).

13 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2005	30 June 2005
Listed equity securities	**$ —**	$ 21,187,500
Market value of listed equity securities	**$ —**	$ 21,187,500

Note: In prior year, in connection with a placing transaction where the Group acted as a placing agent, the issuer granted to the Group a call option which fully covers the Group's short positions arising from the over-allotment of the underlying securities. As at 30 June 2005, the Group recognised such short positions at the lower of the fair value of the underlying securities or the consideration payable by the Group upon exercising the call option. The placing transaction was completed and the short position was squared off in July 2005.

(Expressed in Hong Kong dollars)

14 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December 2005	30 June 2005
Accounts payable — current and within one month		
Amounts due to brokers and clearing houses	**$ 1,238,553**	$ 25,853,040
Clients' accounts payable (net of bank and clearing house balances in segregated accounts)	**122,441,557**	344,519,438
Others	**3,255,972**	7,973,077
	$ 126,936,082	$ 378,345,555
Other creditors and accruals *(Note)*	**135,368,717**	29,266,363
	$ 262,304,799	$ 407,611,918

Note: Included in other creditors and accruals is an amount payable to a property developer of approximately $117 million (30 June 2005: $Nil) for purchase of the investment properties in Beijing, the PRC. Substantial portion of the amount payable to the developer ($113 million) was subsequently settled in January 2006 by drawing the bank mortgage loans.

15 BANK LOANS AND OVERDRAFTS

	31 December 2005	30 June 2005
Unsecured bank overdraft	**$ 4,433,662**	$ 4,989,999
Unsecured bank loans	**27,000,000**	15,000,000
Secured bank loans *(Note)*	**24,817,165**	45,075,176
	$ 56,250,827	$ 65,065,175

The bank loans are repayable as follows:

	31 December 2005	30 June 2005
Within one year or on demand	**$ 49,959,083**	$ 58,546,030
More than one year, but not exceeding two years	**561,065**	586,121
More than two years, but not exceeding five years	**1,922,083**	1,955,736
After five years	**3,808,596**	3,977,288
	$ 56,250,827	$ 65,065,175
Less: amount due after one year shown under non-current liabilities	**(6,291,744)**	(6,519,145)
	$ 49,959,083	$ 58,546,030

Note: Certain banking facilities of the Group were secured by securities collateral from the Group's margin clients with market value of $291,900,004 (30 June 2005: $285,171,767). The banking facilities had been utilised by $18,000,000 as at 31 December 2005. (30 June 2005: $38,000,000)

As at 31 December 2005, the Group's buildings held for own use and investment properties with carrying values of $14,554,712 (30 June 2005: $13,090,140) and $277,313,347 (30 June 2005: $ Nil) respectively have been pledged as securities for the Group's bank loans. The banking facilities had been utilised by $6,817,165 as at 31 December 2005 (30 June 2005: $7,075,176).

(Expressed in Hong Kong dollars)

16 SHARE CAPITAL

	No. of shares	Amount
Authorised:		
Ordinary shares of $0.1 each	4,000,000,000	$ 400,000,000
Issued and fully paid:		
At 1 July 2004	3,236,192,906	$ 323,619,291
Exercise of share options	12,031,000	1,203,100
At 30 June 2005, 1 July 2005 and 31 December 2005	3,248,223,906	$ 324,822,391

Details of the share options outstanding as at 31 December 2005 are disclosed under the section "Share options" on page 29.

17 RETAINED PROFITS

	31 December 2005	30 June 2005 (restated)
Retained profits	**$ 177,172,517**	$ 148,050,114
2006 interim dividend *(Note 6(a))*	**10,719,139**	—
2005 proposed final dividend *(Note 6(b))*	**—**	21,763,100
	$ 187,891,656	$ 169,813,214

18 COMMITMENTS

(a) Capital commitments for other properties and equipment

	31 December 2005	30 June 2005
Contracted but not provided for	**$ 908,459**	$ 2,183,460

(Expressed in Hong Kong dollars)

18 COMMITMENTS (Continued)

(b) Commitments under operating leases

(i) As lessee

As at 31 December 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Office equipment	
	31 December 2005	30 June 2005	**31 December 2005**	30 June 2005
Not later than 1 year	**$ 1,776,620**	$ 3,406,963	**$ 441,600**	$ 441,600
Later than 1 year and not later than 5 years	**—**	67,577	**956,800**	1,177,600
	$ 1,776,620	$ 3,474,540	**$ 1,398,400**	$ 1,619,200

(ii) As lessor

As at 31 December 2005, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	31 December 2005	30 June 2005
Not later than 1 year	**$ 2,600**	$ 10,400

(c) Other commitments

(i) The Group has entered into an underwriting agreement with Good Friend International Holdings Inc. ("Good Friend") in relation to an initial public offer of certain new shares in Good Friend. As at 31 December 2005, the Group had a net commitment to undertake approximately 1.5 million shares in Good Friend with approximate value of $1.7 million.

(ii) During the year ended 30 June 2005, the Group entered into an agreement with a PRC property developer for the purchase of the investment properties located in Beijing, the PRC. A deposit of approximately RMB59 million was placed with the property developer. The Group had committed to pay the remaining balance of approximately RMB177 million (approximately $166 million equivalent) representing 75% of the total purchase consideration. The transaction was completed in December 2005.

(iii) During the year ended 30 June 2005, the Group entered into an underwriting agreement with Sino Gas Group Limited ("Sino Gas") in relation to an open offer of certain new shares in Sino Gas. As at 30 June 2005, the Group had a net commitment to undertake approximately 1.7 billion shares in Sino Gas with approximate value of $34 million. The transaction was completed in August 2005.

(Expressed in Hong Kong dollars)

18 COMMITMENTS (Continued)

(c) Other commitments (Continued)

(iv) During the year ended 30 June 2004, the Group entered into an agreement with Shanxi Securities Company Limited and China Gaoxin Investment Group Corporation to establish a fund management business in the PRC. Pursuant to the agreement, an application has been submitted to the China Securities Regulatory Commission to set up a joint venture fund management company ("JV Company") based in Shanghai. The Group was committed to inject an equivalent of RMB33 million for a 33% equity interest in the JV Company. The agreement was terminated in November 2005.

19 CONTINGENT LIABILITIES

	Company 31 December 2005	Company 30 June 2005
Guarantees for banking facilities to subsidiaries	**$ 940,877,000**	$ 283,877,000

20 MATERIAL RELATED PARTY TRANSACTIONS

Significant related party and connected party (as defined in the Listing Rules) transactions which were carried out in the normal course of the Group's business are as follows:

		Six months ended 31 December	
	Note	**2005**	2004
Brokerage commission earned on securities and futures dealing	*(a)*	**$ 1,427,702**	$ 1,133,677
Common office expenses recharged	*(b)*	**89,328**	129,180
Consultancy and management fee received	*(c)*	**474,533**	492,000

Notes:

(a) Brokerage commission was received from fellow subsidiaries, the Group's directors and their associates in the ordinary course of the Group's business of dealing in securities and futures. Commission rates are set at the same level as those normally offered to third party clients or the applicable staff rate if the clients are directors or employees of the Group.

(b) Amounts represent recharge of office overheads and rental expenses to the ultimate holding company, fellow subsidiaries and an associated company. The allocation of office overheads and rental expenses is primarily based on the percentage of floor area occupied by each company.

(c) Consultancy and management fee were received from an associated company for the provision of management and administrative services. The fees mainly comprised a fixed monthly charge as agreed between the parties involved.

(Expressed in Hong Kong dollars)

21 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 30 JUNE 2006

Up to the date of issue of these Interim Financial Statements, HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 30 June 2006 and which have not been adopted in these Interim Financial Statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

	Effective for accounting periods beginning on or after
— HKFRS 7, Financial instruments: disclosures	1 January 2007
— Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning 1 July 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.