

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

1. GENERAL INFORMATION

The principal activities of the Company are investment holding and securities trading and investment. The principal activities of its subsidiaries are securities and futures broking, provision of margin financing, corporate advisory services, placing and underwriting, as well as nominee and custodian services.

The directors consider the ultimate holding company at 31 March 2001 to be Kim Eng Holdings Limited ("Kim Eng Singapore"), a company incorporated in Singapore and listed on the Stock Exchange of Singapore.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements on pages 17 to 47 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention except for the remeasurement of investments in debt and equity securities as further explained in (f) below.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and include the Group's share of results and net assets of its associates made up to 31 March each year. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Capital reserve or goodwill on consolidation

Capital reserve or goodwill on consolidation representing the excess or deficit respectively of the Group's share of the fair value of the separable net assets of subsidiaries at their respective acquisition dates over the cost of investment, is taken to reserves in the year in which it arises. On disposal of a subsidiary, the attributable amount of capital reserve or goodwill is included in calculating the profit and loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Subsidiaries

Investments in subsidiaries are carried at cost less provision for permanent diminution in value where necessary.

(e) Associates

An associate is a company, other than a subsidiary, in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence on its financial and operating policy decisions.

The results of associates are accounted for by the Group using the equity method of accounting. The Group's investments in associates are stated in the consolidated balance sheet at its share of net assets. The Company's investments in associates are stated in the balance sheet at cost less provision for permanent diminution in value where necessary.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except where unrealised losses provide evidence of an impairment of the asset transferred.

(f) Investments in securities

(i) Held-to-maturity securities

Investments in debt securities that the Group has the expressed intention and ability to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value. Provisions for diminution in value are made and charged to the income statement when the carrying value of the held-to-maturity securities is not expected to be fully recovered.

Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Investments in securities (Continued)

(ii) Trading securities

Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise.

(iii) Investment securities

Investment securities including those listed and unlisted securities which are held for non-trading purpose are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected or otherwise disposed of, or until there is objective evidence that the security has been impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the income statement.

Transfers from the investment revaluation reserve to the income statement as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iv) Profit and losses on disposal of investments in securities

Profits and losses on disposal of trading securities are accounted for in the income statement as they arise. In the case of investment securities, the profit or loss includes any amount previously held in the investment revaluation reserve in respect of that security.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

(i) Depreciation and amortisation

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Motor vehicle	20%
Furniture and fixtures	33 $\frac{1}{3}$ %
Leasehold improvements	33 $\frac{1}{3}$ %
Office equipment	33 $\frac{1}{3}$ %
Computer and related equipment	33 $\frac{1}{3}$ %

(ii) Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

When assets are sold, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

(h) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Profits and losses arising on exchange are dealt with in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

(j) Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences, other than those which are not expected to crystallise in the foreseeable future.

Future tax benefit is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(k) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and amounts repayable on demand with banks and short-term highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(l) Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

- (i) Commission and brokerage from dealing in securities and futures are recognised as revenue when the relevant contract notes are executed.
- (ii) Placement/Underwriting/Sub-underwriting fees are recognised as revenue in accordance with the terms of the underlying agreement and mandate.
- (iii) Custodian and handling service fees are recognised as revenue when the agreed services have been provided.
- (iv) Financial advisory fees are recognised as revenue when the agreed services have been provided.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(I) Recognition of revenue (Continued)

- (v) Interest income is recognised as revenue on a time proportion basis.
- (vi) Gain/(Loss) on trading of equity securities are recognised as revenue on a trade date basis.

3. TURNOVER

Analysis of turnover by principal activities is as follows:

	2001 HK\$'000	2000 HK\$'000
Commission and brokerage from securities and futures dealing	78,080	111,664
Custodian and handling service fees	536	410
Interest income from		
— Clients	8,200	11,830
— Banks	24,490	21,722
— Others	578	657
Net income from securities investment and trading	4,763	3,643
Placement/underwriting/sub-underwriting and financial advisory fees	17,518	29,522
	<u>134,165</u>	<u>179,448</u>

Analysis of turnover by geographical locations is as follows*:

	2001 HK\$'000	2000 HK\$'000
Hong Kong	116,227	153,333
Singapore and Malaysia	14,441	23,230
Other markets	3,497	2,885
	<u>134,165</u>	<u>179,448</u>

* Turnover by geographical locations is determined on the basis of the location of the markets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

4. OTHER REVENUE

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Administration and research fees	164	175
Exchange gain	—	233
Gain on disposal of motor vehicle	90	1
Gain on disposal of investment securities (including HK\$11,592,000 previously recognised in investment revaluation reserve — <i>note 21</i>)	39,458	—
Write-back of provision for doubtful debts	4,757	—
Sundry	4,182	178
	<u>48,651</u>	<u>587</u>

5. FINANCE COSTS

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charges on bank overdrafts and short term bank loans	107	1,633
Interest charges on advances from ultimate holding company	1,865	4,025
	<u>1,972</u>	<u>5,658</u>

6. PROFIT BEFORE TAXATION

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation is arrived at after charging:		
Auditors' remuneration	574	411
Depreciation and amortisation expenses	1,122	689
Exchange loss	669	—
Provision for doubtful debts	—	4,451
Operating lease charges in respect of land and buildings	4,483	3,996
	<u>4,483</u>	<u>3,996</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

7. TAXATION

(a) The charge represents:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
— current year	7,494	8,835
— under/(over)provision in prior years	<u>2,854</u>	<u>(1,965)</u>
	<u><u>10,348</u></u>	<u><u>6,870</u></u>

Hong Kong profits tax is provided at the rate of 16% (2000: 16%) on the estimated assessable profit of the year.

(b) Provision for tax shown in the balance sheet represents the amount provided for Hong Kong profits tax less provisional profits tax paid.

(c) No deferred tax has been provided in the financial statements as there are no material timing differences.

8. DIVIDENDS

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Special interim bonus of HK 50 cents (2000: Nil) per share	36,000	—
Interim dividend of HK 10 cents (2000: HK 9 cents) per share	7,200	6,480
Proposed cash bonus of HK\$1.10 (2000: HK 50 cents) per share	79,200	36,000
Proposed final dividend of HK 17 cents (2000: HK 16 cents) per share	<u>12,240</u>	<u>11,520</u>
	<u><u>134,640</u></u>	<u><u>54,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

9. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vehicle HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer and related equipment HK\$'000	Total HK\$'000
Cost					
At 1 April 2000	824	3,730	1,700	1,910	8,164
Additions	1	167	405	1,155	1,728
Disposals	(824)	—	(4)	(63)	(891)
At 31 March 2001	1	3,897	2,101	3,002	9,001
Accumulated depreciation/ amortisation					
At 1 April 2000	824	2,580	1,208	1,500	6,112
Charge for the year	1	464	322	335	1,122
Written back on disposals	(824)	—	(4)	(63)	(891)
At 31 March 2001	1	3,044	1,526	1,772	6,343
Net book value					
At 31 March 2001	—	853	575	1,230	2,658
At 31 March 2000	—	1,150	492	410	2,052

Furniture and fixtures include an amount of HK\$2,895,000 in respect of leasehold improvements (2000: HK\$2,771,000) and the related accumulated depreciation amounts to HK\$2,207,000 (2000: HK\$1,845,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

10. INTEREST IN SUBSIDIARIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares, at cost	46,881	46,881
Amount due from a subsidiary	85,418	23,010
	132,299	69,891

Particulars of the Company's principal subsidiaries as at 31 March 2001 are as follows:

Name	Place of incorporation	Particulars of issued and fully paid capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Kim Eng Securities (Hong Kong) Limited	Hong Kong	250,000 shares of HK\$100 each	100%	—	Securities broking, margin financing, corporate finance (underwriting/placings) and research
Kim Eng Futures (Hong Kong) Limited	Hong Kong	6,000,000 shares of HK\$1 each	100%	—	Futures broking
Kim Eng Capital (Hong Kong) Limited	Hong Kong	10,000,000 shares of HK\$1 each	100%	—	Corporate finance and corporate advisory
Kim Eng Nominees (Hong Kong) Limited	Hong Kong	2 shares of HK\$1 each	—	100%	Nominee and custodian services

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

11. INTEREST IN ASSOCIATES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	2,500	2,400
Share of net assets	2,345	2,293	—	—
Amounts due from associates	118	24	24	24
Amounts due to an associate	—	(15)	—	—
Less: Provision for impairment in value	—	—	(73)	—
	2,463	2,302	2,451	2,424

Particulars of the Company's principal associate as at 31 March 2001 are as follows:

Name	Place of incorporation	Particulars of issued and fully paid capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Eva Asset Management Limited	Hong Kong	5,000,000 (2000: 4,800,000) shares of HK\$1 each	50%	—	Investment management services

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

12. OTHER INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Held-to-maturity debt securities				
Listed in Hong Kong, at amortised cost	—	9,902	—	9,902
Investment securities				
Listed equity securities in Hong Kong, at fair value	10,656	—	6,835	—
Unlisted equity securities in Hong Kong, at directors' valuation*	—	14,777	—	—
Unlisted debt securities in Hong Kong, at directors' valuation	50	—	—	—
Club debentures	1,102	1,102	256	256
	11,808	25,781	7,091	10,158
Market value of listed securities	10,656	9,902	6,835	9,902

* The unlisted equity securities represented shares in the Hong Kong Exchanges and Clearing Limited ("HKEx shares") which the Company received in connection with the merger of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Futures Exchange Limited ("HKFE") under the HKEx. These HKEx shares were listed on the Stock Exchange on 27 June 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

13. OTHER ASSETS

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits with the Stock Exchange:		
Compensation fund	150	150
Fidelity fund	150	150
Stamp duty deposit	250	250
Contribution to the Compensation Fund of HKFE	100	100
Contribution to the Central Clearing and Settlement System Guarantee Fund	150	150
Admission fee paid to The Hong Kong Securities Clearing Company Limited	150	150
Deposit with The Hong Kong Futures Exchange Clearing Corporation Limited in contribution to the Reserve Fund	<u>1,500</u>	<u>1,500</u>
	<u><u>2,450</u></u>	<u><u>2,450</u></u>

14. TRADING SECURITIES

	Group and Company	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity securities in Hong Kong, at fair value	<u>8,143</u>	—
Market value of listed equity securities	<u><u>8,143</u></u>	<u><u>—</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

15. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors with the following ageing analysis:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Debtors due within one month	91,312	207,514
Custodian and margin accounts receivable [#]	43,115	51,563
Other and sundry receivables	25,868	21,612
	<u>160,295</u>	<u>280,689</u>

For trade receivables, the Group allows a credit period up to the settlement dates of the respective securities and commodities transactions or a credit period mutually agreed with the contracting parties. Included in trade receivables are amounts due from a director of HK\$1,623,000 (2000: Nil) and amounts due from a fellow subsidiary of HK\$9,255,000 (2000: HK\$21,607,000) which represent trades pending settlement as of the balance sheet date. Other and sundry receivables include a current account balance due from a fellow subsidiary of HK\$12,000 (2000: HK\$4,000).

[#] It is not practicable to prepare an ageing analysis for custodian and margin accounts, and accordingly no such information is shown.

16. CASH AT BANKS AND IN HAND

Cash at banks include HK\$180,032,000 (2000: HK\$217,478,000), of client funds, which have been deposited in separate designated bank accounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

17. TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors with the following ageing analysis:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Creditors due within one month	107,574	190,660
Custodian and margin accounts payable [#]	157,222	242,770
Other and sundry payables	60,476	73,724
	<u>325,272</u>	<u>507,154</u>

Included in trade payables is amounts due to a fellow subsidiary of HK\$3,983,000 (2000: HK\$88,123,000) which represent trades pending settlement as of the balance sheet date. Other and sundry payables include amounts due to ultimate holding company of HK\$28,815,000 (2000: HK\$22,176,000) and a current account balance due to a fellow subsidiary of HK\$72,000 (2000: HK\$33,000) which are unsecured, interest free and have no fixed terms of repayment.

[#] It is not practicable to prepare an ageing analysis for custodian and margin accounts, and accordingly no such information is shown.

18. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY

The amounts due to ultimate holding company is unsecured, repayable on demand and bears interest at commercial rates. As at 31 March 2001, these advances were denominated in Singapore dollars and bore interest at 7.5% per annum (see note 28).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

19. SHARE CAPITAL

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
200,000,000 ordinary shares of HK\$0.20 each	<u>40,000</u>	<u>40,000</u>
Issued and fully paid:		
72,000,000 ordinary shares of HK\$0.20 each	<u>14,400</u>	<u>14,400</u>

Share option scheme

Pursuant to the share option scheme adopted by the Company on 29 December 1997, the directors may, at their discretion, grant to the executive directors and employees of the Group options to subscribe for shares in the capital of the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital (excluding any shares issued pursuant to the share option scheme) of the Company.

On 27 April 1998, options over 2,520,000 ordinary shares were granted under the share option scheme at a price of HK\$8 per share exercisable within the period from 27 April 1999 to 3 May 2002. In January 2000, the Company cancelled options over 720,000 ordinary shares as one of the grantees tendered her resignation. Options over the remaining 1,800,000 ordinary shares were outstanding as at 31 March 2001.

Other than as mentioned above, there were no other outstanding options at the balance sheet date.

20. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the Company's financial statements is HK\$135,631,000 (2000: HK\$32,116,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

21. RESERVES

Group

	Share premium <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 1999	116,612	17,110	179,722	28,766	342,210
Revaluation deficit arising on investment securities	—	(4,423)	—	—	(4,423)
Profit attributable to shareholders for the year	—	—	—	78,704	78,704
Dividends (<i>note 8</i>)	—	—	—	(54,000)	(54,000)
At 31 March 2000 and 1 April 2000	116,612	12,687	179,722	53,470	362,491
Revaluation surplus arising on investment securities	—	2,496	—	—	2,496
Reserve realised upon disposal of investment securities	—	(11,592)	—	—	(11,592)
Profit attributable to shareholders for the year	—	—	—	105,200	105,200
Dividends (<i>note 8</i>)	—	—	—	(134,640)	(134,640)
At 31 March 2001	116,612	3,591	179,722	24,030	323,955

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

21. RESERVES (Continued)

Company

	Share premium <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 1999	116,612	—	22,081	138,693
Profit attributable to shareholders for the year	—	—	32,116	32,116
Dividends (<i>note 8</i>)	—	—	(54,000)	(54,000)
At 31 March 2000 and 1 April 2000	116,612	—	197	116,809
Revaluation deficit arising on investment securities	—	(144)	—	(144)
Profit attributable to shareholders for the year	—	—	135,631	135,631
Dividends (<i>note 8</i>)	—	—	(134,640)	(134,640)
At 31 March 2001	116,612	(144)	1,188	117,656

The Company's reserves available for distribution to shareholders as at 31 March 2001 amounted to approximately HK\$1,188,000 (2000: HK\$197,000).

22. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$105,200,000 (2000: HK\$78,704,000) and the 72,000,000 (2000: 72,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2001 and 31 March 2000 have not been presented as the options outstanding had no dilutive effect on the basic earnings for the years then ended.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of profit before taxation to net cash (outflow)/inflow from operating activities

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit before taxation	115,548	85,574
Share of losses of associates	122	107
Interest income	(33,168)	(33,897)
Interest charges	1,972	5,658
Unrealised holding loss on trading securities	188	—
Amortisation on discount of held-to-maturity securities	(100)	(312)
(Write-back)/Provision for doubtful debts	(4,757)	4,451
Impairment in fair value of investment securities	—	257
Depreciation and amortisation of property, plant and equipment	1,122	689
Gain on disposal of property, plant and equipment	(90)	(1)
Gain on disposal of investment securities	(39,458)	—
Decrease/(Increase) in trade and other receivables	125,081	(3,525)
(Decrease)/Increase in trade and other payables	<u>(181,921)</u>	<u>263,835</u>
Net cash (outflow)/inflow from operating activities	<u>(15,461)</u>	<u>322,836</u>

- (b) Analysis of changes in financing during the year

	Amounts due to ultimate holding company		Amounts due to a fellow subsidiary*	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Balance at 1 April 2000	23,750	139,254	33	—
Short term advances	15,181	6,545	39	33
Repayments	(16,495)	(126,074)	—	—
Interest charges on advances from ultimate holding company	<u>1,865</u>	<u>4,025</u>	<u>—</u>	<u>—</u>
Balance at 31 March 2001	<u>24,301</u>	<u>23,750</u>	<u>72</u>	<u>33</u>

* included under trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS

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24. BANKING FACILITIES

The Group had available overdraft banking facilities of HK\$100,000,000 (2000: HK\$60,000,000) as at 31 March 2001.

The facilities were granted to the Group on the basis of a letter of awareness and a letter of comfort issued by the ultimate holding company and the Company.

25. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Details of the directors' emoluments are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees		
— Executive	—	—
— Non-executive	100	125
Other emoluments		
— Salaries, allowances and benefits in kind	5,775	5,394
— Bonuses paid and payable	1,168	5,088
— Provident fund scheme contributions	110	100
	<u>7,153</u>	<u>10,707</u>

The number of directors whose emoluments fell within the following bands are as follows:

	2001	2000
Emoluments band		
HK\$0 – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$4,000,001 – HK\$4,500,000	1	—
HK\$7,000,001 – HK\$7,500,000	—	1

No directors waived any emoluments during the year.

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25. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

(b) The five individuals whose emoluments were the highest in the Group are as follows:

	2001	2000
Directors	2	2
Employees	3	3
	<u>5</u>	<u>5</u>

Information relating to directors' emoluments has been disclosed in note 25(a) above. The details of the emoluments and designated bands of the remaining highest paid, non-director individuals are as follows:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	4,764	4,383
Bonuses paid and payable	5,571	4,967
Provident fund scheme contributions	476	438
	<u>10,811</u>	<u>9,788</u>

	2001	2000
Emoluments band		
HK\$1,500,001 – HK\$2,000,000	—	1
HK\$2,000,001 – HK\$2,500,000	1	—
HK\$2,500,001 – HK\$3,000,000	1	—
HK\$3,000,001 – HK\$3,500,000	—	1
HK\$4,500,001 – HK\$5,000,000	—	1
HK\$6,000,001 – HK\$6,500,000	1	—
	<u>1</u>	<u>—</u>

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26. OPERATING LEASE COMMITMENTS

Annual operating lease commitments in respect of land and buildings payable within one year, analysed according to the period in which the lease expires, and in subsequent years are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Payable within one year		
— a lease expiring in the second to fifth years inclusive	3,670	3,670
Payable in the second to fifth years	<u>1,835</u>	<u>5,505</u>
	<u>5,505</u>	<u>9,175</u>

27. PROVIDENT FUND SCHEMES

The Group has operated a defined contribution provident fund scheme for all qualified employees since 12 November 1990. The scheme is registered under the Occupational Retirement Scheme Ordinance and exempted pursuant to the Mandatory Provident Fund Scheme Ordinance (the "ORSO scheme"). The assets of the ORSO scheme are managed and administered by independent third parties and are held separately from those of the Group. The ORSO scheme is funded by employers' contributions solely based on a percentage of the eligible employee's monthly basic salary.

The ORSO scheme has now been closed to new employees with the commencement of Mandatory Provident Fund ("MPF") system on 1 December 2000.

Since the MPF commencement date, any new staff joining the Group are required to join the new MPF scheme. Both the Group and the employees are to contribute 5% of their relevant income to the MPF scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

27. PROVIDENT FUND SCHEMES (Continued)

The details of provident fund scheme contributions including MPF contributions for the directors and employees, net of forfeited contributions of the ORSO scheme, which have been dealt with in the income statement of the Group are as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Gross provident fund scheme contributions	1,903	1,929
Less: Forfeited contributions utilised to offset contributions to the ORSO scheme for the year	<u>903</u>	<u>492</u>
Net provident fund scheme contributions	<u><u>1,000</u></u>	<u><u>1,437</u></u>

As at 31 March 2001, there were forfeited contributions amounted to HK\$6,000 (2000: HK\$155,000) available to offset future employers' contributions to the ORSO scheme.

28. RELATED PARTY TRANSACTIONS

During the year, Kim Eng Singapore increased its equity interest in the Company from 49.86% to 54.86%, thereby becoming the Company's ultimate holding company. Kim Eng Singapore and its subsidiaries (the "KE Singapore Group") maintain a close and mutually beneficial relationship with the Group.

(a) A summary of the transactions which took place between the Group and the KE Singapore Group during the year ended 31 March 2001 is set out below:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
(i) Commission and brokerage income	1,526	1,059
(ii) Commission and brokerage charges	6,618	10,473
(iii) Interest charges on short term advances	1,865	4,025
(iv) Referral fees paid and payable	<u><u>8,495</u></u>	<u><u>9,812</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

28. RELATED PARTY TRANSACTIONS (Continued)

In respect of the above mentioned transactions, the Company's independent non-executive directors confirmed that the said transactions were carried out in the ordinary and usual course of business of the Group on normal commercial terms or on terms no more or less favourable than terms available to/from independent third parties.

The independent non-executive directors also confirmed that for the year ended 31 March 2001:

- The total commission and brokerage income receivable from the KE Singapore Group (see (i) above), was less than 3% of the Group's turnover.
 - The total commission and brokerage payable by the Group to the KE Singapore Group and its associates (see (ii) above) did not exceed 28% of the Group's turnover.
 - The interest payable by the Group to the KE Singapore Group (see (iii) above) did not exceed 10% of the Group's turnover.
 - The total referral fees payable by the Group to the KE Singapore Group (see (iv) above) did not exceed 10% of the Group's turnover.
- (b) During the year, certain directors used the Group's services, on a periodic basis, to undertake trading of securities. The brokerage and commission income earned by the Group on such trades for the year ended 31 March 2001 amounted to HK\$580,000 (2000: HK\$282,000).

The independent non-executive directors have confirmed that these trades were carried out in the ordinary and usual course of business of the Group and on normal commercial terms. They also confirmed that the commission and brokerage payable by the directors to the Group did not exceed 0.5% of the Group's turnover.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

29. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 17 to 47 were approved by the board of directors on 13 June 2001.