

Notes to the Accounts

13. Investments in associated companies (continued)

Details of the associated company at 30 June 2001 are as follows:

| Name | Place of incorporation and operation | Percentage of equity held by | | Principal activities |
|---------------------------------------|--------------------------------------|------------------------------|-------|----------------------|
| | | Company | Group | |
| Colour Star Dyestuffs Company Limited | Hong Kong | — | 50% | Dyestuffs trading |

14. Non-trading securities

| | Group | | Company | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Equity securities, at fair value | | | | |
| Listed in Hong Kong | 39,682 | 52,000 | 39,682 | 52,000 |
| Listed outside Hong Kong (note) | 14,992 | — | — | — |
| | <u>54,674</u> | <u>52,000</u> | <u>39,682</u> | <u>52,000</u> |
| Unlisted | 98,447 | — | 97,447 | — |
| | <u>153,121</u> | <u>52,000</u> | <u>137,129</u> | <u>52,000</u> |
| Market value of listed securities | | | | |
| Listed in Hong Kong | 39,650 | 52,000 | 39,650 | 52,000 |
| Listed outside Hong Kong | 2,162 | — | — | — |
| | <u>41,812</u> | <u>52,000</u> | <u>39,650</u> | <u>52,000</u> |

Note:

The non-trading securities listed outside Hong Kong comprised an investment in PhilWeb.Com, Inc., a company listed in the Philippines. The Group has been granted a put option to sell this investment for approximately HK\$14,992,000. The put option is exercisable at any time from 24 April 2002 to 23 April 2005. Accordingly, the directors are of the opinion that the value realisable under the put option arrangement represents the fair value of the investment.

15. Inventories

| | Group | |
|------------------|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Raw materials | 3,130 | 6,199 |
| Work in progress | 2,718 | 2,316 |
| Finished goods | 57 | 2,039 |
| Stocks in trade | 9,558 | 13,694 |
| | <u>15,463</u> | <u>24,248</u> |

As at 30 June 2001, the carrying amount of inventories that are carried at net realisable value amounted to HK\$149,000 (2000: Nil).

Notes to the Accounts

16. Accounts receivable

| | Group | |
|--|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Accounts receivable arising from the ordinary course of business of dealing in securities, options and futures contracts (<i>note a</i>) | 297,097 | — |
| Accounts receivable from securities margin clients (<i>note b</i>) | 33,837 | — |
| Accounts receivable arising from dyestuffs distribution and garment manufacturing (<i>note c</i>) | 23,942 | 30,361 |
| Other trade debtors | 6,422 | 710 |
| | 361,298 | 31,071 |

Notes:

- (a) The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities are two days after trade date, whereas the settlement terms for those arising from the ordinary course of business of dealing in options and futures contracts is one day after trade date.
- (b) Accounts receivable from securities margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. The market value of the pledged securities at 30 June 2001 was HK\$107 million.
- (c) The credit terms of accounts receivable arising from dyestuffs distribution and garment manufacturing range from 30 days to 180 days.
- (d) The Group maintains clients' monies arising from the ordinary course of business of dealing in options and futures contracts in trust with Hong Kong Futures Exchange Clearing Corporation. At 30 June 2001, the Group held HK\$4,862,000 in trust for clients with Hong Kong Futures Exchange Clearing Corporation which is not included on the balance sheet.
- (e) The aging analysis of the accounts receivable balance is as follows:

| | Group | |
|---------------|------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| 0 - 1 month | 342,919 | 12,475 |
| 2 - 3 months | 13,292 | 13,288 |
| 4 - 6 months | 3,196 | 4,756 |
| Over 6 months | 1,891 | 552 |
| | 361,298 | 31,071 |

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17. Trading investments

| | Group | |
|------------------------------------|---------------|----------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Equity securities, at market value | | |
| Listed in Hong Kong | 3,058 | — |
| Listed outside Hong Kong | 666 | — |
| | <u>3,724</u> | <u>—</u> |
| Warrants, at market value | | |
| Listed in Hong Kong | 63,611 | — |
| | <u>67,335</u> | <u>—</u> |

At 30 June 2001, the warrants were held for hedging the over-the-counter options written by the Group (note 21).

18. Loans receivable

| | Group | |
|------------------|---------------|----------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Loans receivable | 27,467 | — |
| Less: Provision | (16,240) | — |
| | <u>11,227</u> | <u>—</u> |

19. Cash and bank balances

- (a) Included in the cash and bank balances as at 30 June 2001 is an amount of HK\$5,000,000 which has been pledged to an authorised financial institution to secure general banking facilities of the Group.
- (b) The Group maintains clients' monies arising from the ordinary course of business of dealing in securities, options and futures contracts in trust with authorised financial institutions. At 30 June 2001, the Group held HK\$58,546,000 in trust for clients which is not included on the balance sheet.

Notes to the Accounts

20. Accounts payable

| | Group | |
|---|----------------|---------------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Accounts payable arising from the ordinary course of business of dealing in securities, options and futures contracts | 132,388 | — |
| Accounts payable arising from dyestuffs distribution, garment manufacturing and operation of a country club | 19,839 | 27,970 |
| | <u>152,227</u> | <u>27,970</u> |

At 30 June 2001, the accounts payable arising from the ordinary course of business of dealing in securities, options and futures contracts was current and excluded monies held in trust for clients (see notes 16(d) and 19(b)).

The aging analysis of the accounts payable balance is as follows:

| | Group | |
|---------------|----------------|---------------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| 0 - 1 month | 137,769 | 6,923 |
| 2 - 3 months | 5,688 | 8,164 |
| 4 - 6 months | 3,381 | 5,671 |
| Over 6 months | 5,389 | 7,212 |
| | <u>152,227</u> | <u>27,970</u> |

21. Options written

At 30 June 2001, the fair value of the over-the-counter equity options written by the Group was HK\$63,611,000. The notional amounts of these options, measured by the market value of the underlying shares at 30 June 2001, are as follows:

| | Group | |
|--------------|----------------|----------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Call options | 179,309 | — |
| Put options | 494,794 | — |
| | <u>674,103</u> | <u>—</u> |

The notional amounts are an indication of the Group's degree of option activities and do not represent the Group's potential exposure to market or credit risks. The Group hedged its market exposures arising from the over-the-counter equity options by holding certain listed warrants (see note 17).

22. Amount due to a related company

The balance represents an amount due to E2-Capital (see note 31). The amount is unsecured, interest bearing at Hong Kong Dollar Prime Rate plus 1% and has no fixed terms of repayment.

Notes to the Accounts

23. Amount due to an intermediate holding company

The balance represents an amount due to Softbank Finance Corporation, an intermediate holding company of the Company. The amount is unsecured and interest free and has no fixed terms of repayment.

24. Share capital

Authorised:

| | 2001 | | 2000 | |
|---------------------------------|----------------------|----------------|---------------|----------|
| | No. of shares | HK\$'000 | No. of shares | HK\$'000 |
| Ordinary shares of HK\$0.1 each | 5,000,000,000 | 500,000 | 5,000,000,000 | 500,000 |

Issued and fully paid:

| | 2001 | | 2000 | |
|---|----------------------|----------------|---------------|----------|
| | No. of shares | HK\$'000 | No. of shares | HK\$'000 |
| Ordinary shares of HK\$0.1 each | | | | |
| At 1 July 2000/1 April 1999 | 1,885,915,878 | 188,591 | 588,079,878 | 58,808 |
| Issue of shares (<i>notes a to c</i>) | 344,474,999 | 34,448 | 1,269,500,000 | 126,950 |
| Exercise of share options (<i>note d</i>) | 15,000,000 | 1,500 | 28,336,000 | 2,833 |
| At 30 June | 2,245,390,877 | 224,539 | 1,885,915,878 | 188,591 |

Notes:

- On 2 April 2001, the Company issued 132,653,061 ordinary shares to Softbank Investment (International) Holdings Limited at a premium of HK\$0.88 per share for cash amounting to HK\$130,000,000 to finance the acquisition of a 51% interest in SBI E2-Capital Limited. These shares rank *pari passu* with the existing shares.
- On 2 April 2001, the Company issued 192,346,938 ordinary shares at a premium of HK\$0.88 per share as part of the consideration for the acquisition of a 51% interest in SBI E2-Capital Limited. These shares rank *pari passu* with the existing shares.
- On 7 May 2001, the Company issued 19,475,000 ordinary shares at a premium of HK\$0.9 per share as consideration for the acquisition of the entire issued share capital of Sumoton Investment Limited which holds an investment in PhilWeb.Com, Inc. (see note 14). These shares rank *pari passu* with the existing shares.
- Share option scheme

On 25 October 2000, at the annual general meeting of the Company, the Company adopted a share option scheme (the "Scheme") under which the directors may, at their discretion, invite any executive director and any senior executive or employee of any of the companies in the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the issued ordinary share capital of the Company excluding any ordinary shares issued on the exercise of options from time to time.

On 1 November 2000, the Company granted share options which entitled the holders, including five executive directors and nine key employees to subscribe for 111,860,000 shares in the Company at any time during the period from 1 November 2000 to 31 October 2010 at a price of HK\$0.48 per share. During the year, 15,000,000 share options have been exercised.

During the year, the options granted to certain executive directors and key employees on 27 April 2000 to subscribe for 66,260,000 shares in the Company at any time during the period from 27 May 2000 to 26 April 2001 at a price of HK\$2.05 per share have been cancelled.

Notes to the Accounts

25. Reserves

| | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Capital reserve HK\$'000 | Investment revaluation reserve HK\$'000 | Exchange translation reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|------------------------------|--|--------------------------------|--|--|-----------------------------------|-------------------|
| Group | | | | | | | |
| At 1 April 1999 | 186,382 | 1,899 | 26,129 | — | (6,808) | (72,983) | 134,619 |
| Issue of ordinary shares | 94,540 | — | — | — | — | — | 94,540 |
| Share issue expenses | (6,088) | — | — | — | — | — | (6,088) |
| Goodwill arising on acquisition of a subsidiary | — | — | (25) | — | — | — | (25) |
| Capital reserve released to profit and loss account on disposal of a subsidiary | — | — | (11,318) | — | — | — | (11,318) |
| Exchange difference arising on translation of subsidiaries | — | — | — | — | 425 | — | 425 |
| Deficit on revaluation of non-trading securities | — | — | — | (26,789) | — | — | (26,789) |
| Loss for the period | — | — | — | — | — | (29,829) | (29,829) |
| At 30 June 2000 | <u>274,834</u> | <u>1,899</u> | <u>14,786</u> | <u>(26,789)</u> | <u>(6,383)</u> | <u>(102,812)</u> | <u>155,535</u> |
| Company and subsidiaries | 274,834 | 1,899 | 14,786 | (26,789) | (6,383) | (103,839) | 154,508 |
| Associated companies | — | — | — | — | — | 1,027 | 1,027 |
| | <u>274,834</u> | <u>1,899</u> | <u>14,786</u> | <u>(26,789)</u> | <u>(6,383)</u> | <u>(102,812)</u> | <u>155,535</u> |
| At 1 July 2000 | 274,834 | 1,899 | 14,786 | (26,789) | (6,383) | (102,812) | 155,535 |
| Issue of ordinary shares | 309,227 | — | — | — | — | — | 309,227 |
| Share issue expenses | (1,608) | — | — | — | — | — | (1,608) |
| Capital reserve released to the profit and loss account on disposal of subsidiaries | — | — | (14,786) | — | — | — | (14,786) |
| Exchange translation reserve released to the profit and loss account on disposal of a subsidiary | — | — | — | — | (150) | — | (150) |
| Exchange difference arising on translation of subsidiaries | — | — | — | — | (43) | — | (43) |
| Deficit on revaluation of non-trading securities | — | — | — | (95,908) | — | — | (95,908) |
| Investment revaluation reserve transferred to the profit and loss account upon impairment of non-trading securities | — | — | — | 73,483 | — | — | 73,483 |
| Loss for the year | — | — | — | — | — | (97,186) | (97,186) |
| At 30 June 2001 | <u>582,453</u> | <u>1,899</u> | <u>—</u> | <u>(49,214)</u> | <u>(6,576)</u> | <u>(199,998)</u> | <u>328,564</u> |
| Company and subsidiaries | 582,453 | 1,899 | — | (49,214) | (6,576) | (200,016) | 328,546 |
| Associated companies | — | — | — | — | — | 18 | 18 |
| | <u>582,453</u> | <u>1,899</u> | <u>—</u> | <u>(49,214)</u> | <u>(6,576)</u> | <u>(199,998)</u> | <u>328,564</u> |

Notes to the Accounts

25. Reserves (continued)

| Company | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Investment revaluation reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|---|------------------------------|--|--|-----------------------------------|-------------------|
| At 1 April 1999 | 186,382 | 1,899 | — | (56,202) | 132,079 |
| Issue of ordinary shares | 94,540 | — | — | — | 94,540 |
| Share issue expenses | (6,088) | — | — | — | (6,088) |
| Deficit on revaluation of non-trading securities | — | — | (26,789) | — | (26,789) |
| Loss for the period | — | — | — | (36,656) | (36,656) |
| At 30 June 2000 | <u>274,834</u> | <u>1,899</u> | <u>(26,789)</u> | <u>(92,858)</u> | <u>157,086</u> |
| At 1 July 2000 | 274,834 | 1,899 | (26,789) | (92,858) | 157,086 |
| Issue of ordinary shares | 309,227 | — | — | — | 309,227 |
| Share issue expenses | (1,608) | — | — | — | (1,608) |
| Deficit on revaluation of non-trading securities | — | — | (91,425) | — | (91,425) |
| Investment revaluation reserve transferred to the profit and loss account upon impairment of non-trading securities | — | — | 69,000 | — | 69,000 |
| Loss for the year | — | — | — | (220,429) | (220,429) |
| At 30 June 2001 | <u>582,453</u> | <u>1,899</u> | <u>(49,214)</u> | <u>(313,287)</u> | <u>221,851</u> |

The Company had no reserves available for distribution at 30 June 2001 under Section 79B of the Companies Ordinance (2000: Nil).