

Notes to the Accounts

26. Long term liabilities

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Secured bank loans	9,112	13,655	9,112	10,503
Amounts due within one year included under current liabilities	<u>(1,600)</u>	<u>(3,902)</u>	<u>(1,600)</u>	<u>(1,370)</u>
	<u>7,512</u>	<u>9,753</u>	<u>7,512</u>	<u>9,133</u>

(a) The analysis of the above is as follows:

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Wholly repayable within five years	9,112	11,745	9,112	8,593
Not wholly repayable within five years	<u>—</u>	<u>1,910</u>	<u>—</u>	<u>1,910</u>
	<u>9,112</u>	<u>13,655</u>	<u>9,112</u>	<u>10,503</u>

(b) The long term liabilities were repayable as follows:

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Within one year	1,600	3,902	1,600	1,370
In the second year	1,721	2,178	1,721	1,558
In the third to fifth year inclusive	5,791	5,665	5,791	5,665
In more than five years	<u>—</u>	<u>1,910</u>	<u>—</u>	<u>1,910</u>
	<u>9,112</u>	<u>13,655</u>	<u>9,112</u>	<u>10,503</u>

27. Bank loans and overdrafts, unsecured

The balance included short term bank loans of HK\$131,280,000 for the purpose of financing the subscription of securities on behalf of clients in the Group's ordinary course of business. These bank loans were repayable on 4 July 2001 and were fully repaid after the year end.

Notes to the Accounts

28. Deferred taxation

The potential assets/(liabilities) for deferred taxation which have not been provided for in the accounts amount to:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Accelerated depreciation allowances	(1,112)	(392)
Tax losses	23,063	13,117
	<u>21,951</u>	<u>12,725</u>

The revaluation of the Group's investment properties does not constitute a timing difference and consequently, deferred tax thereon has not been quantified.

29. Contingent liabilities

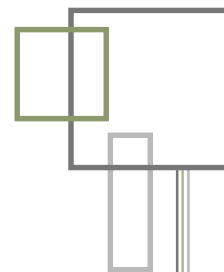
	Company	
	2001	2000
	HK\$'000	HK\$'000
Guarantee of banking facilities granted to subsidiaries	<u>18,000</u>	<u>50,000</u>

In addition, as disclosed in note 31(h) below, the Company provided a guarantee to the Monetary Authority of Singapore in respect of the obligations and liabilities of an indirect subsidiary of the Company, SBI E2-Capital Pte Limited. As at 30 June 2001, the total liabilities of SBI E2-Capital Pte Limited was HK\$327,000.

30. Commitments under operating leases

At 30 June 2001, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	2001	2000
	HK\$'000	HK\$'000
Within one year	5,332	—
In the second to fifth year inclusive	3,878	—
	<u>9,210</u>	<u>—</u>



31. Related party transactions

Related parties refer to (1) E2-Capital (Holdings) Limited (“E2-Capital”), a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange, and its subsidiaries (the “E2-Capital Group”); and (2) Colour Star Dyestuffs Company Limited. E2-Capital Group beneficially owns 49% interests in SBI E2-Capital Limited, a subsidiary of the Company. In addition, an executive director of the Company, Mr Wong Sin Just, is also an executive director of E2-Capital. Colour Star Dyestuffs Company Limited is an associated company of the Company, details of which are shown in note 13.

Saved as those disclosed in notes 22, 23 and 24(a) to the accounts, the Group undertook the following related party transactions in the normal course of business:

		Year ended	Period from
	<i>Note</i>	30 June 2001	1 April 1999 to
		<i>HK\$'000</i>	30 June 2000
			<i>HK\$'000</i>
Advisory fee income	(a)	3,960	—
Management fee income	(b)	240	—
Back office expenses	(c)	(3,395)	—
Rental expenses	(d)	(891)	—
Interest expenses	(e)	(573)	—
Purchases of goods from an associated company	(f)	<u>—</u>	<u>(17,057)</u>

Notes:

- (a) Upon completion of the acquisition of SBI E2-Capital Limited, the Group received advisory fee from E2-Capital Group for advisory service provided at rates agreed in accordance with an agreement entered into by both parties in January 2001.
- (b) The Group received management fee income from E2-Capital Group, at a fixed monthly amount of HK\$80,000, for the latter's sharing of the Group's office space and other related facilities.
- (c) The Group reimbursed E2-Capital Group for back office support services provided, including company secretarial and compliance services, financial oversight and treasury management, human resources and administrative services, corporate communications and information technology services. The reimbursement was calculated based on an agreed percentage of the actual costs incurred by E2-Capital Group in accordance with an agreement entered into by both parties.
- (d) The Group reimbursed E2-Capital Group for rental expenses incurred by the latter on the office premises occupied by the Group in accordance with an agreement entered into by both parties.
- (e) The Group paid interest expenses at Hong Kong Dollar Prime Rate plus 1% per annum on the amount due to E2-Capital Group.
- (f) Purchases from an associated company were conducted, in the opinion of the directors, in the normal course of business at prices and terms no less than those charged by and contracted with other third party suppliers of the Group.
- (g) Included in the unsecured bank loans and overdrafts as at 30 June 2001 are amounts totalling HK\$148,115,000 which are guaranteed by E2-Capital Group. Total banking facilities of the Group guaranteed by E2-Capital Group at 30 June 2001 are HK\$266,000,000.

Notes to the Accounts

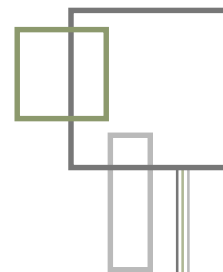
31. Related party transactions *(continued)*

- (h) Prior to the Group's acquisition of a 51% interest in SBI E2-Capital Limited, E2-Capital has given to the Monetary Authority of Singapore ("MAS") a guarantee (the "E2-Capital Guarantee"), as required under the MAS Investment Adviser Licence, pursuant to which E2-Capital undertakes to maintain SBI E2-Capital Pte Limited in a sound financial position and pay and settle all obligations and liabilities of SBI E2-Capital Pte Limited during the subsistence of the guarantee. In connection with the Group's acquisition of a 51% interest in SBI E2-Capital Limited on 2 April 2001,
- (i) the Group has agreed to, amongst other things, provide to the MAS a guarantee (the "Group Guarantee"), as required under the MAS Investment Adviser Licence, pursuant to which the Group undertakes to maintain SBI E2-Capital Pte Limited in a sound position and pay and settle all obligations and liabilities of SBI E2-Capital Pte Limited arising during the subsistence of the guarantee; and
- (ii) the Group and E2-Capital have agreed between themselves that their respective responsibilities for the obligations and liabilities of SBI E2-Capital Pte Limited should be determined by reference to their respective shareholdings in SBI E2-Capital Limited. Accordingly, the Group has agreed to indemnify E2-Capital for 51% of any claim under the E2-Capital Guarantee and E2-Capital has agreed to indemnify the Group for 49% of any claim under the Group Guarantee.

32. Notes to the consolidated cash flow statement

(a) Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 30 June 2001 HK\$'000	Period from 1 April 1999 to 30 June 2000 HK\$'000
Operating loss	(95,083)	(26,425)
Interest income	(7,161)	(3,048)
Depreciation charge	9,865	12,480
Amortisation of goodwill	3,084	—
Gain on disposal of fixed assets	(427)	(114)
Net realised and unrealised losses on trading investments	785	10,231
Impairment of non-trading securities	73,483	—
(Surplus)/deficit on revaluation of investment properties	(1,493)	9,150
Provision for loans receivable	16,240	—
Gain on disposal of subsidiaries	(14,936)	(11,318)
Write-off of deferred pre-operating expenses	—	1,184
Dividend income	(1,945)	—
Decrease in inventories	4,593	3,518
(Increase)/decrease in accounts receivable	(120,017)	4,585
(Increase)/decrease in sundry debtors, prepayments and deposits	(5,096)	3,569
Decrease in trading investments	57,208	—
Increase/(decrease) in accounts payable	4,009	(2,191)
Decrease in options written	(50,015)	—
Increase/(decrease) in other payables and deposits received	19,148	(2,321)
Decrease in amount due to a related company	(12,880)	—
Increase in amount due to an intermediate holding company	31,300	—
Net cash outflow from operating activities	<u>(89,338)</u>	<u>(700)</u>



32. Notes to the consolidated cash flow statement (continued)

(b) Analysis of changes in financing during the year/period

	Share capital, share premium and capital redemption reserve		Minority interests		Short term loans		Long term loans	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2000/1 April 1999	465,324	247,089	32,323	34,469	943	17,671	13,655	18,092
Issue of new shares for cash	137,200	224,323	—	—	—	—	—	—
Share issue expenses	(1,608)	(6,088)	—	—	—	—	—	—
Issue of shares by a subsidiary to minority shareholders	—	—	500	—	—	—	—	—
New short term bank loans	—	—	—	—	100,000	36,915	—	—
Repayment of short term and long term loans	—	—	—	—	—	(56,166)	(4,543)	(4,437)
Dividends paid to minority shareholders	—	—	(923)	(372)	—	—	—	—
Acquisition of subsidiaries	—	—	75,276	—	—	2,523	—	—
Issue of new shares for non-cash consideration	207,975	—	—	—	—	—	—	—
Exchange differences	—	—	(43)	325	—	—	—	—
Minority interests' in share of losses	—	—	(9,904)	(2,099)	—	—	—	—
At 30 June	808,891	465,324	97,229	32,323	100,943	943	9,112	13,655

Notes to the Accounts

32. Notes to the consolidated cash flow statement (continued)

(c) Purchase of subsidiaries

	Year ended 30 June 2001 HK\$'000	Period from 1 April 1999 to 30 June 2000 HK\$'000
Net assets acquired		
Fixed assets	2,902	11,800
Other assets	4,001	—
Non-trading securities	19,475	—
Loans receivable	6,170	—
Accounts and other receivables	217,661	82
Trading investments	147,080	—
Cash and bank balances	56,207	—
Accounts and other payables	(125,961)	(255)
Options written	(113,626)	—
Amount due to a related company	(39,497)	—
Bank overdrafts	—	(436)
Bank loans	—	(2,523)
Taxation	(5,793)	(66)
Minority interest	(75,276)	—
	<u>93,343</u>	<u>8,602</u>
Goodwill (see note 9)	246,698	25
	<u>340,041</u>	<u>8,627</u>
Satisfied by		
Allotment of shares (see notes 24(b) and (c))	207,975	—
Cash	132,066	8,627
	<u>340,041</u>	<u>8,627</u>

(d) Analysis of the net cash outflow in respect of the purchase of subsidiaries

	Year ended 30 June 2001 HK\$'000	Period from 1 April 1999 to 30 June 2000 HK\$'000
Cash consideration	132,066	8,627
Cash and bank balances acquired	(56,207)	—
Bank overdrafts	—	436
Net cash outflow in respect of the purchase of subsidiaries	<u>75,859</u>	<u>9,063</u>

The subsidiaries acquired during the year contributed HK\$66,760,000 to the Group's net operating cash outflow, received HK\$739,000 in respect of net returns on investments and servicing of finance, paid HK\$417,000 in respect of investing activities and paid HK\$12,380,000 for financing activities.