

Notes to the Accounts

1. The principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation and principal accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investments in securities, foreign exchange contracts and off-balance sheet financial instruments are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December 2001. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Notes to the Accounts

1. The principal accounting policies (continued)

(b) Consolidation (continued)

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and also any related accumulated foreign currency translation reserve.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

1. The principal accounting policies (continued)

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. They are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	over the lease periods
Furniture and fixtures	20%
Office and computer equipment	20%
Motor vehicles	25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries/associated companies at the date of acquisition.

Notes to the Accounts

1. The principal accounting policies (continued)

(f) Intangible assets (continued)

(i) Goodwill (continued)

Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is amortised over a maximum period of 3 years. The gain or loss on disposal of an entity includes the unamortised balances of goodwill relating to the entity disposed of.

(ii) Trading rights

Trading rights held in The Stock Exchange of Hong Kong Limited and The Hong Kong Futures Exchanges Limited (the “Stock Exchange trading rights” and “Futures Exchange trading rights” respectively) are classified as intangible assets and are amortised using the straight-line method over a period of ten years. Trading rights are stated at cost less accumulated amortisation.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

(g) Investments in securities

(i) Non-trading securities

Investments which are held for non-trading purposes are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Where there is objective evidence that individual investments are impaired, the cumulative loss recorded in the investment revaluation reserve is taken to the profit and loss account.

(ii) Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of investments in securities are recognised in the profit and loss account. Profits or losses on disposal of these investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

1. The principal accounting policies (continued)

(h) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource will be required to settle the obligation, and a reliable estimate of the amount can be made.

(i) Trade and other receivables

Provision is made against trade and other receivables to the extent that they are considered to be doubtful. Trade and other receivables in the balance sheet are stated net of such provision.

(j) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(k) Translation of foreign currencies

Spot foreign exchange contracts with clients/brokers are recorded at contractual rates applicable to those transactions.

Other transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as movement in reserves.

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment, bank overdrafts and short-term bank loans.

Notes to the Accounts

1. The principal accounting policies (continued)

(m) Revenue recognition

Brokerage commission income arising from leveraged foreign exchange transactions, securities broking, and commodities and futures broking are recognised and accounted for on a trade date basis.

Brokerage commission income arising from the brokerage of mutual fund (i.e. savings plan) is deferred when received and recognised over a period of twelve months.

For foreign currency option contracts broked on behalf of clients, premium income from foreign currency option contracts is recognised on a trade date basis when the Group writes currency option contracts, and premium expenses for foreign currency option contracts are recognised on a trade date basis when the Group purchases the corresponding option contracts. Such option contracts are only entered into with clients when corresponding contracts can be negotiated and concluded with recognised counterparties.

Net revenue from foreign exchange options trading includes both realised and unrealised gains less losses from the foreign currency option contracts. Open option contracts are carried at fair value, with related unrealised gains or losses recognised in the profit and loss account. The open option contracts are valued using pricing models that consider, among other factors, contractual and market prices, time value and volatility factors.

Net premium income from insurance brokerage is recognised on an accrual basis.

Swap interest and foreign exchange trading revenue include both realised and unrealised gains less losses. The swap interest and foreign exchange spread in relation to open positions arising from leveraged foreign exchange transactions are recognised on an accrual basis. The net residual positions of each foreign currency resulting from broking and trading foreign currencies are carried at fair value, with related unrealised gains or losses recognised in the profit and loss.

Underwriting commissions are recognised when the relevant work or service has been rendered.

Revenue from corporate financial advisory services is recognised in accordance with the terms of agreement for the underlying transactions.

1. The principal accounting policies (continued)

(m) Revenue recognition (continued)

Management fee and subscription fee on asset management are recognised on an accrual basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

In accordance with the revised SSAP 9 and the revised SSAP 18, the Company no longer recognises dividends receivable from subsidiaries relating to the current year but proposed or declared after the balance sheet date as income up to the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 21, this change has resulted in a decrease in the Company's opening retained earnings at 1st January 2001 by HK\$16,000,000 (1st January 2000 : Nil) which is the reversal of the dividend receivable for 2000 as the right to receive payment is established after the balance sheet date.

Dividends income is recognised when the right to receive payment is established.

(n) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme and mandatory provident fund are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

(o) Finance costs

Finance costs are charged to the profit and loss account in the year in which they are incurred.

(p) Off balance sheet financial instruments

Off balance sheet financial instruments arising from the leveraged foreign exchange trading and option transactions are marked to market and the gain or loss thereof is recognised in the profit and loss account as foreign exchange trading revenue or net premium income from foreign currency option.

Notes to the Accounts

1. The principal accounting policies (continued)

(q) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 7 and Note 21, this change has resulted in an increase in opening retained earnings at 1st January 2001 by HK\$7,475,000 (1st January 2000 : Nil) in the Group which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 31st December 2000, although not declared until after the balance sheet date.

(r) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, receivables and operating cash net of bank overdrafts, and mainly exclude investments in associated companies and securities, and tax recoverable. Segment liabilities comprise operating liabilities and exclude items such as taxation and deferred taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, analysis on consolidated turnover is based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

(s) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

1. The principal accounting policies (continued)

(s) Contingent liabilities and contingent assets (continued)

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(t) Share options

Options granted to employees over the Company's shares are recognised in the balance sheet at the time when the options are exercised and the allotments of shares is approved. Share capital is credited at par for each share issued upon such approval, with share premium credited at the excess of net proceeds received over total share capital credited.

(u) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial or operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Notes to the Accounts

2. Turnover, revenue and segment information

The Company is an investment holding company. The Group is principally engaged in the provision of leveraged foreign exchange trading services, securities broking, commodities and futures broking, provision of corporate financial advisory services, fund management, and insurance broking. Revenues recognised during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover		
Fees and commission	25,995	13,090
Net revenue from foreign currency option trading	4,484	–
Net premium income from		
– foreign currency option broking	249	30,441
– insurance brokerage	72	–
Swap interest and foreign exchange trading revenue	40,483	27,161
Interest income	10,203	13,901
Underwriting commission	446	–
Management fee and subscription fee income	39	–
	81,971	84,593
Other revenues		
Gain on sale of investments in securities	–	236
Unrealised gain on investments in securities	–	34
Dividend income from listed securities	2	944
Other income including exchange gains	414	–
	416	1,214
Total revenues	82,387	85,807

2. Turnover, revenue and segment information (continued)

Primary reporting format – Business Segments

Since the Group has expanded into securities broking, commodities and futures broking, corporate financial advisory and provision of other financial services in November 2001, the Group is organised into six main business segments:

1. Leveraged foreign exchange trading/broking – providing leveraged forex trading services on world's major currencies
2. Securities broking – providing broking services on listed securities in Hong Kong and selected overseas markets
3. Commodities and futures broking – providing broking services on commodities and futures contracts traded in Hong Kong and selected overseas markets
4. Corporate financial advisory – providing corporate financial advisory services mainly to companies listed in Hong Kong
5. Asset management – managing private funds
6. Insurance broking – acting as agent for sale of savings plan, unit trust, general and life insurance

For Year 2000, the Group has only one business segment, the leveraged foreign exchange trading.

There are no significant transactions between the business segments.

Secondary reporting format – Geographical Segments

Based on the geographical location of the clients, the Group's business could be divided into three main geographical areas:

1. Hong Kong – mainly consists of retail clients
2. Japan – mainly consists of corporate clients
3. Other countries – principally in France and Philippines, currently contributed less than 10% of the turnover and profit of the Group

There are no significant transactions between the geographical segments.

Notes to the Accounts

2. Turnover, revenue and segment information (continued)

Primary reporting format – Business Segments

	Leveraged foreign exchange trading/broking 2001 HK\$'000	Securities broking 2001 HK\$'000	Commodities and futures broking 2001 HK\$'000	Corporate financial advisory 2001 HK\$'000	Asset management 2001 HK\$'000	Insurance broking 2001 HK\$'000	Unallocated 2001 HK\$'000	Total 2001 HK\$'000
Turnover	75,783	2,947	985	1,093	39	530	594	81,971
Segment results	10,220	(1,343)	(193)	(773)	(60)	46	(883)	7,014
Operating profit								7,014
Finance costs								(102)
Profit before taxation								6,912
Taxation refund								513
Profit attributable to shareholders								7,425
Segment assets	230,181	113,054	40,126	25,691	306	2,923	–	412,281
Investments in an associated company								3,464
Unallocated assets								28,302
Total assets								444,047
Segment liabilities	61,459	69,492	32,733	544	89	1,860	–	166,177
Unallocated liabilities								2,410
Total liabilities								168,587
Capital expenditure	2,281	15,280	1,357	5,122	9	63	50	24,162
Depreciation	1,228	156	2	6	–	2	5	1,399
Amortisation charge	–	672	13	1,000	–	–	–	1,685
Other non-cash expenses	150	–	–	–	–	–	–	150

For year 2000, the Group has only one business segment and no business segments analysis is presented.

Notes to the Accounts

2. Turnover, revenue and segment information (continued) Secondary reporting format – Geographical Segments

	Turnover	Total assets	Capital
	2001	2001	expenditure
	HK\$'000	HK\$'000	2001
			HK\$'000
Hong Kong	61,773	267,162	23,933
Japan	8,729	3,999	126
Other countries	11,469	169,422	103
	<u>81,971</u>	<u>440,583</u>	<u>24,162</u>
Investments in an associated company		<u>3,464</u>	
Total assets		<u>444,047</u>	

For year 2000, apart from interest income of HK\$10.9 million derived from deposits placed with banks outside Hong Kong, the Group's turnover generated and capital expenditure incurred outside Hong Kong contributes to less than 10% of the Group's turnover and capital expenditure.

The total assets in other countries mainly represent margin and other deposits placed with overseas brokers and financial institutions. As at 31st December 2000, there were HK\$200.5 million of total margin and other deposits placed with overseas brokers and financial institutions.

Notes to the Accounts

3. Operating profit

Operating profit is stated after charging the followings:

	2001 HK\$'000	2000 HK\$'000
Amortisation cost of trading rights	68	–
Amortisation of goodwill	1,617	–
Auditors' remuneration	780	600
Depreciation of fixed assets	1,399	321
Directors' emoluments (Note 10(a))	5,516	4,946
Equipment rental expenses	4,105	2,977
Exchange loss	191	–
Loss on disposal of fixed assets	150	–
Rent and rates (Note 27(g))	4,359	2,804
Staff salaries including commission and rebates	46,060	28,873

4. Finance costs

	2001 HK\$'000	2000 HK\$'000
Interest on bank overdrafts	68	1
Interest on mortgage loan	–	83
Interest on bank loans	34	–
	102	84

5. Taxation

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

The amount of taxation refund/(payable) charged to the consolidated profit and loss account represents:

	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax	(160)	(4,000)
Over provisions in prior years	673	294
	513	(3,706)

There is no material unprovided deferred taxation for the year.

Notes to the Accounts

6. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$17,072,857 (2000 restated: Loss of HK\$529,075).

7. Dividends

	2001 HK\$'000	2000 HK\$'000
Special, paid, Nil (2000: HK\$0.10) per ordinary share	–	10,000
Interim, paid, Nil (2000: HK\$0.025) per ordinary share	–	7,475
Final, proposed, of HK\$0.02 (2000: HK\$0.025) per ordinary share (Note (a) & (b))	8,018	7,475
	8,018	24,950

(a) The previously recorded final dividends of HK\$0.025 per share proposed on 299,000,000 shares and declared after the balance sheet date but accrued in the accounts for the year ended 31st December 2000 was HK\$7,475,000. Under the Group's new accounting policy as described in Note 1(q), this has been written back against opening reserves as at 1st January 2001 in Note 21. The amount actually paid of HK\$0.025 per share on 301,350,000 shares, totalling HK\$7,533,750 is now charged in the year in which it was proposed.

(b) At a meeting held on 18th April 2002 the directors declared a final dividend of HK\$0.02 per ordinary share on 400,922,000 shares. This proposed dividend is not reflected as a dividend payable in this account, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2002.

8. Earnings per share

The calculation of basic earnings per share are based on the Group's profit after tax of HK\$7,425,417 (2000: HK\$31,363,523) and the weighted average of 323,825,627 ordinary shares (2000: 255,395,833) in issue during the year.

The diluted earnings per share is based on 326,888,570 (2000: 255,891,885) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 3,062,943 (2000: 496,052) ordinary shares deemed to be issued at exercisable prices of HK\$0.66 and HK\$0.6128 per share respectively if all outstanding options had been exercised.

Notes to the Accounts

9. Retirement benefit costs

Employees of the Group, including executive directors are required to join the Mandatory Provident Fund (the "MPF") which became operative on 1st December 2000. According to the rules of the MPF schemes for employees, for each employee the Group contributes to the scheme at the lower of 5% of the eligible employee's monthly remuneration or HK\$2,500 (up to September 2001)/HK\$1,000 (from 1st October 2001 onwards), whilst the employee makes a contribution at the lower of HK\$1,000 or 5% of his monthly remuneration. The assets under the MPF are held separately from those of the Group and are under the control of the MPF service provider. The Group's contributions to the MPF are expensed as incurred. During the year, the Group contributed HK\$611,597 to the MPF (2000: HK\$61,468).

Prior to the MPF, the Group operated a defined contribution retirement scheme through its ultimate holding company. The Group's contributions were expensed as incurred. During 2000, the Group contributed HK\$462,454 to the retirement scheme.

Forfeited contributions totaling HK\$56,155 (2000:HK\$55,928) were utilized during the year leaving HK\$Nil (2000:HK\$30,360) available at the year end to reduce future contributions.

10. Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors in respect of services to the Company and its subsidiaries during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees	380	190
Other emoluments:		
Basic salaries, other allowances, share options and benefits in kind	5,026	3,800
Bonuses	–	810
Contributions to pensions schemes for directors	110	146
	5,516	4,946

During the year, options to subscribe for 2,600,000 ordinary shares of HK\$0.1 each of the Company at an exercise price of HK\$0.6128 each were granted to the directors under the Share Option Scheme adopted on 10th July 2000.

10. Directors' and senior management's emoluments (continued)

(a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2001	2000
HK\$Nil – HK\$1,000,000	6	6
HK\$1,000,001 – HK\$1,500,000	3	3

No directors of the company waived any emoluments and no incentive payment or compensation for loss of office was paid or payable to any director of the Company during the year (2000: HK\$Nil).

In accordance with the service agreements signed by the directors on 10th July 2000, effective from 1st June 2000, directors are entitled to a management bonus with reference to and not exceeding 15% of the net profit before the calculation of such bonus.

Directors' fees disclosed above include HK\$280,000 (2000: HK\$140,000) paid to independent non-executive directors and HK\$100,000 (2000: HK\$50,000) paid to a non-executive director.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three directors (2000: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2000: two) individuals during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
Basic salaries, other allowances, share options and benefit in kind	1,549	980
Bonuses	–	230
Pensions	51	44
	1,600	1,254

Notes to the Accounts

10. Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2001	2000
HK\$Nil – HK\$1,000,000	2	2

11. Fixed assets

	Leasehold improvements HK\$'000	Furniture & fixtures HK\$'000	Group Office & computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1st January 2001	468	1,107	1,245	1,224	4,044
Additions through acquisition of subsidiaries (Note 22(d))	1,047	376	7,509	–	8,932
Additions	372	209	1,700	–	2,281
Disposals	(239)	–	–	–	(239)
At 31st December 2001	1,648	1,692	10,454	1,224	15,018
Accumulated depreciation					
At 1st January 2001	53	105	154	25	337
Additions through acquisition of subsidiaries (Note 22(d))	405	151	1,572	–	2,128
Charge for the year	290	254	549	306	1,399
Disposals	(89)	–	–	–	(89)
At 31st December 2001	659	510	2,275	331	3,775
Net book value					
At 31st December 2001	989	1,182	8,179	893	11,243
At 31st December 2000	415	1,002	1,091	1,199	3,707

Notes to the Accounts

12. Intangible assets

	Group			
	Stock Exchange trading rights HK\$'000	Futures Exchange trading right HK\$'000	Goodwill HK\$'000	Total HK\$'000
At 1st January 2001	–	–	–	–
Acquisition of subsidiaries	5,710	1,275	8,092	15,077
Amortisation for the year	(55)	(13)	(1,617)	(1,685)
At 31st December 2001	5,655	1,262	6,475	13,392
At 31st December 2001				
Cost	6,653	1,500	8,092	16,245
Accumulated amortisation and impairment losses	(998)	(238)	(1,617)	(2,853)
Net book amount	5,655	1,262	6,475	13,392
At 31st December 2000				
Cost and net book amount	–	–	–	–

13. Other assets

	Group	
	2001 HK\$'000	2000 HK\$'000
Stock Exchange stamp duty deposit	150	–
Stock Exchange Fidelity Fund deposit	100	–
Stock Exchange Compensation Fund deposit	100	–
Guarantee Fund deposits with the Hong Kong Securities Clearing Company Limited	140	–
Statutory deposits and deposits with the Hong Kong Futures Exchange Limited (“HKFE”)	1,500	–
Contributions in cash to the Compensation Fund of the HKFE	100	–
Statutory deposits with the Securities and Futures Commission	200	–
Total	2,290	–

Notes to the Accounts

14. Investments in subsidiaries

	Company	
	2001 HK\$'000	2000 HK\$'000
Investments in subsidiaries, at cost	219,527	140,776
Amounts due from subsidiaries (Note (b))	42,578	40,000
	262,105	180,776
		Restated
		2000
		HK\$'000
Dividend receivable	–	16,000
Effect of adopting SSAP 9 (Note 21)	–	(16,000)
	–	–

- (a) On 30th November 2001, the Group completed its acquisition of 100% shareholdings in HT (BVI) Limited from Hantec Holdings Limited (“HHL”), its ultimate holding company at a consideration of HK\$81.78 million. The purchase consideration was satisfied by cash of HK\$54.5 million and allotment of 37,122,000 ordinary shares of the Company at a consideration of HK\$0.735 each. HT (BVI) Limited held 100% issued share capital of the following six companies:

Name of Company	Nature of business
i. HT Securities Limited	Securities broking
ii. HT Futures Limited	Commodities and futures broking
iii. Hantec Asset Management Limited	Asset management
iv. Hantec Investment Consultant Limited	Insurance broking
v. Hantec Capital Limited	Provision of corporate financial advisory services
vi. Chinacorp Nominees Limited	Holding of leases and provision of administrative support

The acquired business contributed revenues of HK\$5,769,866 and operating loss of HK\$733,486 to the Group for the period from 1st December 2001 to 31st December 2001, and its total assets and liabilities at 31st December 2001 were HK\$182,600,105 and HK\$112,599,727 respectively.

Details of net assets acquired and goodwill are set out in Note 22(d).

Notes to the Accounts

14. Investments in subsidiaries (continued)

(b) The amounts due from the subsidiaries were unsecured, interest free and have no fixed terms for repayment.

(c) The following is a list of the subsidiaries at 31st December 2001 :

Name	Place of incorporation	Principal activities and place of operation	Proportion of nominal value of issued shares	Interest Held	
				Directly	Indirectly
Hantec Strategic (BVI) Holdings Limited ("HSBVIHL")	British Virgin Islands	Investment holding in Hong Kong	50,000 Ordinary shares of US\$1 each	100%	-
HT (BVI) Limited ("HTBVI")	British Virgin Islands	Investment holding in Hong Kong	7 Ordinary shares of US\$1 each	100%	-
Macro Jess Limited ("MJL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%	-
Hantec International Limited ("HIL")	Hong Kong	Leveraged foreign exchange trading in Hong Kong	100 Ordinary shares of HK\$1 each, and 100,000,000 non-voting deferred shares of HK\$1 each	-	100%
HT Securities Limited ("HTS")	Hong Kong	Securities broking in Hong Kong	100 Ordinary shares of HK\$1 each, and 50,000,000 non-voting deferred shares of HK\$1 each	-	100%

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14. Investments in subsidiaries (continued)

Name	Place of incorporation	Principal activities and place of operation	Proportion of nominal value of issued shares	Interest Held	
				Directly	Indirectly
HT Futures Limited ("HTF")	Hong Kong	Commodities and futures broking in Hong Kong	100 Ordinary shares of HK\$1 each, and 10,000,000 non-voting deferred shares of HK\$1 each	–	100%
Hantec Capital Limited ("HCL")	Hong Kong	Provision of corporate financial advisory services in Hong Kong	100 Ordinary shares of HK\$1 each, and 21,000,000 non-voting deferred shares of HK\$1 each	–	100%
Hantec Asset Management Limited ("HAM")	Hong Kong	Asset management in Hong Kong	100 Ordinary shares of HK\$1 each, and 2,000,000 non-voting deferred shares of HK\$1 each	–	100%
Hantec Investment Consultant Limited ("HICL")	Hong Kong	Insurance broking in Hong Kong	100 Ordinary shares of HK\$1 each, and 5,500,000 non-voting deferred shares of HK\$1 each	–	100%

Notes to the Accounts

14. Investments in subsidiaries (continued)

Name	Place of incorporation	Principal activities and place of operation	Proportion of nominal value of issued shares	Interest Held	
				Directly	Indirectly
Chinacorp Nominees Limited ("CNL")	Hong Kong	Holding of leases and provision of administrative support services in Hong Kong	100 Ordinary shares of HK\$1 each and 10,000 non-voting deferred shares of HK\$1 each	–	100%

15. Investment in an associated company

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	3,464	–

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held	
				Directly	Indirectly
Fuji Hantec Forex Japan Company Limited ("FHF")	Japan	Provision of foreign exchange trading services in Japan	4,400 ordinary shares of JP¥50,000 each	–	25%

Fuji Hantec Forex Japan Company Limited, incorporated in Japan on 10th December 2001 has not yet commenced business as of 31st December 2001.

Notes to the Accounts

16. Investments in securities

(a) Trading securities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equity securities, at market value:				
– Listed in Hong Kong	82	109	82	109

(b) Non-trading securities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equity securities, at market value:				
– Listed in Hong Kong	1,185	–	–	–

Notes to the Accounts

17. Trade and other receivables

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade receivables from securities brokerage clients	23,278	6,755	–	–
Less: provision for doubtful debts	(7,440)	–	–	–
Margin finance loans (note (d))	42,086	–	–	–
Less: provision for doubtful debts	(4,483)	–	–	–
Margin and other trade related deposits with brokers and financial institutions (note (b))	70,076	109,674	–	–
Trade receivables from clearing houses	20,681	–	–	–
Total trade receivables	144,198	116,429	–	–
Rental and utilities deposits	6,029	1,653	425	–
Prepayments and other receivables	2,292	732	225	425
Total trade and other receivables	152,519	118,814	650	425

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17. Trade and other receivables (continued)

(a) As at 31st December 2001, the aging analysis of the trade receivables was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current	143,642	116,429
30-60 days	481	–
Over 60 days	11,998	–
	156,121	116,429
Less : Provision for doubtful debt	(11,923)	–
	144,198	116,429

- (b) The Group undertakes foreign exchange transactions and executes client trades on overseas futures and commodity contracts with recognised counterparties and overseas brokers respectively. A recognized counterparty is a counterparty of a licensed leveraged foreign exchange trader recognised under the Leveraged Foreign Exchange Trading Ordinance which includes an authorized institution under the Hong Kong Banking Ordinance. Trade receivables at 31st December 2001 and 2000 include margin deposits and floating profits in respect of transactions and open positions in leveraged foreign exchange and futures and commodities trading with recognised counterparties and overseas brokers and are considered current.
- (c) Included in trade receivables aged 30 days and over were HK\$6.1 million which was secured by cash deposits placed in favour of the Group in separate escrow accounts established pursuant to the sale and purchase agreement dated 8th October 2001 for the acquisition of HT(BVI) Limited (Note 14).
- (d) The margin clients of the securities brokerage business are required to pledge their shares to the Group in order to get the credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of shares acceptable by the Group after making reference to industry practice.

Notes to the Accounts

17. Trade and other receivables (continued)

- (e) Credits are extended to other clients on a case-by-case basis in accordance with the financial status of clients such as their financial conditions, trading records, business profile and collateral available to the Group. Clients trading in leveraged foreign exchange contracts, commodities and futures contracts and obtaining securities margin financing from the Group are required to observe the Group's margin policy. For leveraged foreign exchange contracts and commodities and futures contracts, initial margins are normally required before trading and thereafter clients are required to keep the equity position at prescribed maintenance margin level.

18. Bank balances and cash

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash in hand	248	5	–	–
Bank balances				
– general accounts (note (a))	154,450	89,042	15,462	12,960
– segregated trust accounts	101,772	57,157	–	–
	256,470	146,204	15,462	12,960
(a) By maturity :				
Bank balances –				
general accounts				
– Current and savings account	117,221	23,887	5,203	12,960
– Fixed deposits (maturing within three months)	37,229	65,155	10,259	–
	154,450	89,042	15,462	12,960

As at 31st December 2001, deposit amounted to HK\$2,424,880 and HK\$5,153,042 from a subsidiary and a fellow subsidiary respectively have been pledged to a bank for banking facilities to the extent of HK\$20 million out of the aggregate facilities of HK\$200 million granted to a subsidiary. The banking facilities were also guaranteed by the Company to the extent of HK\$188 million (Note 24). As at 31st December 2001, HK\$23,826,000 has been utilized by a subsidiary of the Company which engages in securities broking.

Notes to the Accounts

19. Trade and other payables

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Margin and other deposits payable to clients	130,820	61,428	–	–
Trade payable to brokers	144	2,577	–	–
Total trade payables	130,964	64,005	–	–
Accruals and other payables	13,476	3,682	2,026	718
Total trade and other payables	144,440	67,687	2,026	718

The trade payables are aged within 30 days.

20. Share capital

	2001		2000	
	No. of shares '000	Nominal value HK\$'000	No. of shares '000	Nominal value HK\$'000
Authorised				
Ordinary shares of HK\$0.10 each	1,000,000	100,000	1,000,000	100,000
Issued and fully paid				
Ordinary shares of HK\$0.10 each				
At 1st January	299,000	29,900	–	–
Shares issued	97,122	9,712	299,000	29,900
Shares issued under Share Option Scheme	4,800	480	–	–
At 31st December	400,922	40,092	299,000	29,900

20. Share capital (continued)

The changes in the Company's share capital which took place during the year are as follow:

- (a) The Company was incorporated on 19th April 2000 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. In year 2000, the authorised share capital of the company was increased from HK\$100,000 to HK\$100,000,000 by the creation of an additional 999,000,000 shares of HK\$0.10 each.
- (b) Pursuant to a share placement agreement dated 21st August 2001, 60,000,000 ordinary shares of the Company of HK\$0.10 each were issued at HK\$0.73 per share. These shares rank pari passu with the existing shares. Net proceeds of approximately HK\$42.8 million has been used to finance the acquisition of the shareholdings in HT (BVI) Limited from the Company's major shareholder, HHL.
- (c) As part of the consideration for the purchase of the shareholdings in HT (BVI) Limited from HHL, 37,122,000 ordinary shares of the company of HK\$0.10 each were issued on 30th November 2001 at a consideration of HK\$0.735 per share to HHL.
- (d) Pursuant to the Share Option Scheme approved on 10th July 2000, options for subscription of 13,500,000 ordinary shares and 7,900,000 ordinary shares of the company were granted to the directors and executives on 2nd November 2000 and 9th May 2001.

During the year 3,400,000 ordinary shares and 1,400,000 ordinary shares of HK\$0.10 each were issued at exercise price of HK\$0.66 each and HK\$0.6128 each respectively as a result of the exercise of share options. As at 31st December 2001, options for subscription of 16,400,000 ordinary shares were outstanding.

Notes to the Accounts

21. Reserves

	Share premium HK\$'000	Capital reserves HK\$'000	Group Investment revaluation reserves HK\$'000	Retained profit HK\$'000 (Note (a))	Total HK\$'000
At 1st January 2000	–	99,800	–	27,264	127,064
Premium arising from issuance of ordinary shares	67,275	–	–	–	67,275
Effect of the Reorganisation	–	389	–	–	389
Capitalisation issue	(22,225)	–	–	–	(22,225)
Net expenses on the issuance of ordinary shares	(13,970)	–	–	–	(13,970)
Profit for the year	–	–	–	31,364	31,364
Cash dividend	–	–	–	(24,950)	(24,950)
At 31st December 2000	31,080	100,189	–	33,678	164,947
Prior year adjustment for 2000 dividend proposed not declared prior to year end	–	–	–	7,475	7,475
At 1st January 2001 (restated)	31,080	100,189	–	41,153	172,422
Surplus on revaluation of investment securities held for non-trading purpose	–	–	65	–	65
Premium on share options exercised (Note 20(c))	2,622	–	–	–	2,622
Premium on issuance of new shares (Note 20 (a) and (b))	61,372	–	–	–	61,372
Net expenses on the issuance of ordinary shares	(1,005)	–	–	–	(1,005)
Profit for the year	–	–	–	7,425	7,425
2000 final dividend paid	–	–	–	(7,533)	(7,533)
At 31st December 2001	94,069	100,189	65	41,045	235,368
Company and subsidiaries at 31st December 2001	94,069	100,189	65	41,045	235,368
Company and subsidiaries at 31st December 2000 (restated)	31,080	100,189	–	41,153	172,422

Notes to the Accounts

21. Reserves (continued)

	Share premium HK\$'000	Company		Total HK\$'000
		Retained profit/(loss) HK\$'000 Note (a)	Contributed surplus HK\$'000	
At 1st January 2000	–	–	–	–
Contributed surplus arising from the Reorganisation	–	–	140,576	140,576
Premium on issue of ordinary shares	67,275	–	–	67,275
Capitalisation issue	(22,225)	–	–	(22,225)
Net expenses on issuance of ordinary shares	(13,970)	–	–	(13,970)
Profit for the year	–	15,471	–	15,471
Cash dividend	–	(7,475)	(7,475)	(14,950)
At 31st December 2000	31,080	7,996	133,101	172,177
Prior year adjustment for 2000 dividend receivable not declared prior to year end	–	(16,000)	–	(16,000)
Prior year adjustment for 2000 dividend proposed not declared prior to year end	–	7,475	–	7,475
At 1st January 2001 (restated)	31,080	(529)	133,101	163,652
Premium on share options exercised (Note 20(c))	2,622	–	–	2,622
Premium on issuance of new shares (Note 20(a) and (b))	61,372	–	–	61,372
Net expenses on the issuance of ordinary shares	(1,005)	–	–	(1,005)
Profit for the year	–	17,073	–	17,073
2000 Final dividend paid	–	(7,533)	–	(7,533)
At 31st December 2001	94,069	9,011	133,101	236,181

Notes to the Accounts

21. Reserves (continued)

(a) Retained earnings are represented as follows:

Representing:	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Retained profit/ (Accumulated loss) at 31st December	33,027	33,678	993	(8,004)
Final dividend proposed	8,018	7,475	8,018	7,475
At 31st December	41,045	41,153	9,011	(529)

(b) Capital reserves

The capital reserve of the Group represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the deferred share capital of a subsidiary acquired in 2000.

(c) Contributed surplus

Contributed surplus arose as a result of the Group's reorganisation in 2000 and represents the difference between the aggregate net asset value of subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition.

(d) Investment revaluation reserve

The investment revaluation reserve of the Group represents the changes in the fair value of non-trading securities.

Notes to the Accounts

21. Reserves (continued)

(e) Distributable reserve

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if :

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves as at 31st December 2001 available for distribution to shareholders are represented by the contributed surplus and accumulated profit of approximately HK\$142,112,000 (2000 restated : HK\$132,572,000).

22. Notes to the consolidated cash flow statement

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

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	6,912	35,070
Depreciation of fixed assets	1,399	321
Amortisation cost of trading rights	68	–
Amortisation of goodwill	1,617	–
Interest paid	102	84
Dividend income from listed securities	(2)	–
Loss on disposal of fixed assets	150	–
Decrease in other assets	140	–
(Increase)/decrease in trust bank accounts	(4,216)	24,615
Gain on sale of investments in securities	–	(236)
Unrealised loss/(gain) on investments in trading securities	27	(34)
Written back of provision for doubtful debt	(155)	–
Decrease/(increase) in trade and other receivables	55,741	(54,983)
Decrease in trade and other payables	(11,303)	(28,667)
Net cash inflow/(outflow) from operating activities	50,480	(23,830)

Notes to the Accounts

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

(b) Analysis of changes in financing during the year

	Share capital including share premium		Secured borrowings	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
As at 1st January	60,980	–	–	3,000
Issuance of new shares, net of expenses	45,896	60,780	–	–
Share issued for non-cash consideration	27,285	200	–	–
Repayment	–	–	–	(3,000)
At 31st December	134,161	60,980	–	–

(c) Major non-cash transaction

Part of the consideration for the purchase of subsidiaries during the year comprised of 37,122,000 ordinary shares of HK\$0.10 each in the Company issued at HK\$0.735 each (2000 : Nil).

Notes to the Accounts

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

(d) Purchase of subsidiaries :

	2001 HK\$'000
Net assets acquired	
Fixed assets	6,803
Intangible assets	6,985
Other assets	2,430
Investment in securities	1,121
Taxation recoverable	235
Trade and other receivables	89,291
Bank balances and cash – general account	35,217
– segregated trust accounts	40,399
Trade and other payables	(88,056)
Bank overdrafts	(8,948)
Bank loans	(10,000)
Deferred taxation	(321)
	75,156
Goodwill	8,092
	83,248
Satisfied by:	
Allotment of shares (Note 22(b))	27,285
Cash	54,497
	81,782
Financial advisory fees paid in cash	1,466
	83,248

The subsidiaries acquired during the year contributed HK\$16,269,000 to the Group's net operating cash flows, paid HK\$86,000 in respect of taxation and utilised HK\$25,906,000 for investing activities.

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Notes to the Accounts

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

(e) Analysis of the net outflow in respect of the purchase of subsidiaries:

	2001 HK\$'000
Cash consideration	54,497
Cash paid for financial advisory fee in relation to purchase of subsidiaries	1,466
Bank balances and cash in hand acquired	(35,217)
Bank overdrafts	8,948
Bank loan	10,000
Net cash outflow in respect of the purchase of subsidiaries	39,694

23. Deferred taxation

	Group	
	2001 HK\$'000	2000 HK\$'000
At 1st January	–	–
Addition through acquisition of subsidiaries	321	–
At 31st December	321	–

The deferred taxation was provided for accelerated depreciation allowances.

24. Contingent liabilities

(a) The Company received a writ of summons on 28th July 2000, filed by a company named Hantec Investment Limited which is unrelated to the Group. The plaintiff sought for injunction to restrain the Company from using the plaintiff's alleged trade name and damages.

The directors have commenced a defence action and will continue to defend it vigorously. The directors believe it is too early in the legal proceedings to be able to make an assessment to the likely outcome. However, potential damages, losses, fees, expenses, proceedings and claims which have been and may be incurred by the Group as a result of the action have been covered by a joint and several indemnity, given by the ultimate controlling shareholders and accordingly no provision has been made by the Group as at 31st December 2001.

Notes to the Accounts

24. Contingent liabilities (continued)

- (b) As at 31st December 2001, the Company had issued corporate guarantees to certain banks for credit facilities up to an amount of HK\$188,000,000 granted to a subsidiary which engages in securities broking. In addition, the Company had issued corporate guarantees to certain financial institutions for foreign exchange trading facilities granted to a subsidiary which engages in leveraged foreign exchange trading. The guarantee amounts vary and are subject to the volume of contracts traded with the financial institutions.

25. Lease commitments

At 31st December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2001	Restated 2000
	HK\$'000	HK\$'000
Land and buildings		
Not later than one year	9,212	2,330
Later than one year and not later than five years	10,510	799
	19,722	3,129

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26. Assets, liabilities and commitments in foreign currencies

	2001 HK\$'000	2000 HK\$'000
Total assets in foreign currencies included in the balance sheet	227,483	236,564
Total liabilities in foreign currencies included in the balance sheet	23,694	40,661
Total commitments to purchase foreign currencies under leveraged foreign exchange trading contracts	691,980	560,241
Total commitments to sell foreign currencies under leveraged foreign exchange trading contracts	689,540	513,606
Total commitments to purchase foreign currencies under option contracts	1,082,865	1,145,617
Total commitments to sell foreign currencies under option contracts	1,077,846	1,145,617

Note: Total commitments to purchase or sell foreign currencies under leveraged foreign exchange trading contracts consist of a basket of currencies which cannot be offset against each other. From the Group's risk management perspective, individual positions in each currency (short or long) are monitored for exchange risk.

Notes to the Accounts

27. Related party transactions

The following is a summary of significant related party transactions which were carried out in the normal course of the Group's business :

	2001 HK\$'000	2000 HK\$'000
Interest income from related companies (Note (a))	–	324
Interest expense paid to related parties (Note (b))	–	(48)
Administrative and group support expenses paid to HHL (Note (c))	–	(3,360)
Brokerage commission paid to a fellow subsidiary (Note (d))	–	(26)
Financial advisory fee paid to a subsidiary (Note (f))	(350)	(1,400)
Office premises occupancy expenses (Note (g))	(1,709)	(1,379)

- (a) Interest income was received from loans to fellow subsidiaries and the ultimate holding company in the normal course of business at commercial terms before the listing. There is no such lending transactions incurred after the listing of the Company on the Stock Exchange.
- (b) Interest expense was paid to a related company for the margin deposits in respect of leveraged foreign exchange transactions undertaken in the normal course of business at commercial terms.
- (c) Up to 31st May 2000 certain indirect expenses such as advertisement, general administration and group support expenditures incurred by HHL were charged to HIL based on its turnover proportionate to the aggregate turnover of HHL and its subsidiaries (collectively known as “the HHL Group”). The total amount of such indirect expenses paid by the Group were HK\$3,356,000 in 2000.

Since 1st June 2000, the Group ceased to share such expenditures with the HHL Group.

- (d) Brokerage commission was paid to a fellow subsidiary in respect of trading in listed securities transactions in Hong Kong undertaken in the normal course of business and at commercial rates.

Notes to the Accounts

27. Related party transactions (continued)

- (e) On 8th October 2001 the Company entered into a sale and purchase agreement with HHL to purchase the entire shareholdings in HT (BVI) Limited at a consideration of HK\$81.78 million (the "Acquisition"). The Acquisition was approved in the members' meeting held on 23rd November 2001 and was completed on 30th November 2001.
- (f) During the year and up to 30th November 2001, the Group paid financial advisory service fee of HK\$350,000 (2000 : HK\$1,400,000), charged on a commercial basis, to HCL for the financial advisory service provided in the normal course of business. HCL was previously a member of the HHL Group and became a subsidiary of the Group with effect from 30th November 2001. Since 1st December 2001, HCL's results have been included in the Group's consolidated profit and loss accounts.
- (g) During the year and up to 30th November 2001, a total of HK\$1,709,097 (2000: HK\$1,378,974) was paid to the HHL Group as licence fee for the occupancy of the dealing room and the branches pursuant to a Licence Services Agreement with the HHL Group and calculated based on the actual space occupied for the year. The directors consider that the terms of the Licence Services Agreement and the rental charged are at normal commercial terms. CNL was previously a member of the HHL Group signing the Licence Services Agreement and, became a subsidiary of the Group with effect from 30th November 2001. Since 1st December 2001, CNL's results have been included in the Group's consolidated profit and loss accounts.

28. Ultimate holding company

The directors regard Hantec Holdings Limited, a company incorporated in Hong Kong, as being the ultimate holding company.

29. Approval of accounts

The accounts were approved by the board of directors on 18th April 2002.