

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

## 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 2002 to be Kim Eng Ong Asia Holdings Ltd (“Kim Eng Singapore”) (formerly known as Kim Eng Holdings Limited), 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 18 to 51 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice (“SSAPs”) 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.

In the current year, the Group has adopted for the first time, the following revised or new SSAPs issued, which are effective for the accounting period commencing on or after 1 January 2001:

(i) SSAP 9 (revised): Events after the balance sheet date

Under SSAP 9 (revised), dividends proposed or declared after the balance sheet date are no longer recognised as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparative figures presented have been restated accordingly.

As detailed in note 22, reserves of the Group at 1 April 2001 have increased by HK\$91,440,000 representing the reversal of the proposed final dividend for 2001 which was only approved after 31 March 2001. This proposed dividend was previously recorded as a liability of the Group as at 31 March 2001. A corresponding decrease in current liabilities of the Group by HK\$91,440,000 has been reflected in the comparative figures in the Group’s balance sheet as at 31 March 2001.

Similarly, as detailed in note 22, reserves at 1 April 2001 of the Company have increased by HK\$10,440,000 representing the net effect of the reversal of dividend income and dividend expense of HK\$81,000,000 and HK\$91,440,000 which were proposed or declared after the balance sheet date by the subsidiaries and the Company and were previously recognised as an asset and a liability respectively by the Company. Corresponding decrease in amounts due from subsidiaries (note 11) by HK\$81,000,000 and decrease in current liabilities of HK\$91,440,000 have been reflected in the comparative figures in the Company’s balance sheet as at 31 March 2001.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (a) Basis of preparation (Continued)

##### (ii) SSAP 14 (revised): Leases

The adoption of SSAP 14 (revised) has not resulted in any significant changes to the accounting treatment adopted for leases in the current and prior years. Disclosure for the Group's leasing arrangements has been modified so as to comply with the new requirements of SSAP 14 (revised). Comparative amounts have been restated to achieve a consistent presentation.

##### (iii) SSAP 17 (revised): Property, plant and equipment

In order to achieve consistency with SSAP 28, SSAP 30 and SSAP 31 on such issues as impairment and provisions, SSAP 17 has been revised. The revised SSAP 17 also elaborates on the requirements in respect of transfers between different types of assets. Adoption of this revised accounting policy has not had any significant effect on the results for the current or prior accounting periods.

##### (iv) SSAP 26: Segment reporting

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires management to assess whether the Group's predominant risk and returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting information which are set out in note 3 to the financial statements.

##### (v) SSAP 28: Provision, contingent liabilities and contingent assets

In accordance with SSAP 28 "Provisions, contingent liabilities and contingent assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has not had any significant effect on the results for the current or prior accounting periods.

##### (vi) SSAP 30: Business combinations

Any goodwill arising on acquisitions after 1 January 2001 will be capitalised and amortised over its estimated useful life. Any negative goodwill arising on acquisitions after 1 January 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### (vi) SSAP 30: Business combinations (Continued)

Goodwill or negative goodwill arising on acquisitions that occurred prior to 1 January 2001 was either offset against reserves or included as a component of reserves under capital reserves respectively. The Group has adopted the transitional provisions in SSAP 30 and such goodwill has not been retrospectively capitalised and amortised. Accordingly, goodwill and negative goodwill arising on acquisitions prior to 1 January 2001 will be charged or credited to income respectively at the time of disposal of the relevant subsidiary or associate.

#### (vii) SSAP 31: Impairment of assets

In adopting SSAP 31 the Group has assessed its assets to see if there is any indication of impairment or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

#### (viii) SSAP 32: Consolidated financial statements and accounting for investments in subsidiaries

The adoption of SSAP 32 has not resulted in any significant changes in accounting policy and has had no effect on the results for the current or prior accounting periods.

### (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.

### (d) Subsidiaries

Subsidiaries are those enterprises in which the Company controls more than half of the voting power, or holds more than half of the issued share capital, or controls the composition of the board of directors.

Investments in subsidiaries are carried at cost less impairment losses where necessary.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (e) Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

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 impairment losses 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.

#### (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 comprise listed and unlisted securities which are held for non-trading purposes and 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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (f) Investments in securities (Continued)

#### (iv) Gains and losses on disposal of investments in securities

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

### (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 vehicles	20%
Furniture and fixtures	33-1/3%
Leasehold improvements	33-1/3%
Office equipment	33-1/3%
Computer and related equipment	33-1/3%

#### (ii) Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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. Gains and losses arising on exchange are dealt with in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 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/Future tax benefit

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.
- (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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 3. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2(a)(iv) to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the broking segment engages in securities and futures broking and custodian services;
- (b) the trading and investment segment engages in securities trading and investment and other investment holding;
- (c) the corporate advisory and underwriting segment engages in the provision of corporate advisory and underwriting services; and
- (d) the corporate and other segment comprises operations other than those as specified above.

Intersegment transactions are conducted with reference to the prices charged to third parties.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 3. SEGMENT INFORMATION (Continued)

#### (a) Business segments

The following tables represent revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

<b>2002 – Group</b>						
	Broking HK\$'000	Trading and investment HK\$'000	Corporate advisory and underwriting HK\$'000	Corporate and other HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	51,006	16,647	13,998	17,956	–	99,607
Intersegment sales	–	–	15	–	(15)	–
	<u>51,006</u>	<u>16,647</u>	<u>14,013</u>	<u>17,956</u>	<u>(15)</u>	<u>99,607</u>
<b>Segment results</b>	<u>7,867</u>	<u>16,387</u>	<u>3,875</u>	<u>11,031</u>	<u>–</u>	<u>39,160</u>
Share of losses of associates				(12)		(12)
Profit before taxation						39,148
Taxation						(3,457)
Profit attributable to shareholders						<u>35,691</u>

#### 2001 – Group

	Broking HK\$'000	Trading and investment HK\$'000	Corporate advisory and underwriting HK\$'000	Corporate and other HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	78,414	46,012	20,306	38,084	–	182,816
Intersegment sales	–	–	30	–	(30)	–
	<u>78,414</u>	<u>46,012</u>	<u>20,336</u>	<u>38,084</u>	<u>(30)</u>	<u>182,816</u>
<b>Segment results</b>	<u>27,487</u>	<u>45,723</u>	<u>12,850</u>	<u>29,610</u>	<u>–</u>	<u>115,670</u>
Share of losses of associates				(122)		(122)
Profit before taxation						115,548
Taxation						(10,348)
Profit attributable to shareholders						<u>105,200</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 3. SEGMENT INFORMATION (Continued)

#### (a) Business segments (Continued)

2002 – Group						
	Broking HK\$'000	Trading and investment HK\$'000	Corporate advisory and underwriting HK\$'000	Corporate and other HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment assets	293,645	101,860	1,413	398,033	(49,435)	745,516
Interest in associates				2,333		2,333
Unallocated assets						18,008
<b>Total assets</b>						<b>765,857</b>
Segment liabilities	361,352	–	2,966	19,324	(54)	383,588
Unallocated liabilities						13,633
<b>Total liabilities</b>						<b>397,221</b>
Other segment information						
Depreciation	1,398	–	72	–	–	1,470
Capital expenditure	1,683	–	116	–	–	1,799

#### 2001 – Group

	Broking HK\$'000	Trading and investment HK\$'000	Corporate advisory and underwriting HK\$'000	Corporate and other HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment assets	284,216	73,686	1,807	467,702	(54,801)	772,610
Interest in associates				2,463		2,463
Unallocated assets						17,725
<b>Total assets</b>						<b>792,798</b>
Segment liabilities	317,918	–	4,123	32,373	(4,421)	349,993
Unallocated liabilities						13,010
<b>Total liabilities</b>						<b>363,003</b>
Other segment information						
Depreciation	1,066	–	56	–	–	1,122
Capital expenditure	1,683	–	45	–	–	1,728

#### (b) Geographical segments

As over 90% of the Group's revenue, results, assets and liabilities for the year ended 31 March 2002 are derived from operations in Hong Kong, information by geographical segment has not been presented.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 4. TURNOVER

Analysis of turnover by principal activities is as follows:

	2002 HK\$'000	2001 HK\$'000
Commission and brokerage from securities and futures dealing	50,457	78,080
Custodian and handling service fees	404	536
Interest income from		
– Clients	6,021	8,200
– Banks	9,564	24,490
– Others	29	578
Net income from securities investment and trading (note(a))	9,628	4,763
Placement/underwriting/sub-underwriting and financial advisory fees	13,400	17,518
	<b>89,503</b>	134,165

- (a) The net income from securities investment and trading includes gain on disposal of other investments amounting to HK\$3,267,000, which included revaluation deficit of HK\$292,000 (2001: Nil) previously recognised in investment revaluation reserve and unrealised holding gains on trading securities of HK\$975,000 (2001: loss HK\$188,000).

### 5. OTHER REVENUE

	2002 HK\$'000	2001 HK\$'000
Administration and research fees	163	164
Exchange gain	581	–
Gain on disposal of property, plant and equipment	6	90
Gain on disposal of investment securities (including revaluation surplus of HK\$3,735,000 (2001: HK\$11,592,000) previously recognised in investment revaluation reserve)	4,217	39,458
Write-back of provision for doubtful debts	–	4,757
Sundry	5,137	4,182
	<b>10,104</b>	48,651

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 6. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest charges on bank overdrafts and short term bank loans	338	107
Interest charges on advances from ultimate holding company	1,591	1,865
	<b>1,929</b>	1,972

### 7. PROFIT BEFORE TAXATION

	2002 HK\$'000	2001 HK\$'000
Profit before taxation is arrived at after charging:		
Auditors' remuneration	617	574
Depreciation and amortisation expenses	1,470	1,122
Exchange loss	–	669
Provision for doubtful debts	142	–
Operating lease charges in respect of land and buildings	3,611	4,483

### 8. TAXATION

(a) The charge represents:

	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax		
– current year	3,949	7,494
– (over)/underprovision in prior years	(492)	2,854
	<b>3,457</b>	10,348

Hong Kong profits tax is provided at the rate of 16% (2001: 16%) on the estimated assessable profit of the year.

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 9. DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
Special interim bonus of nil (2001: HK 50 cents) per share	–	36,000
Interim dividend of HK 10 cents (2001: HK 10 cents) per share	7,200	7,200
Proposed cash bonus of nil (2001: HK\$1.10) per share	–	79,200
Proposed final dividend of HK17 cents (2001: HK 17 cents) per share	12,240	12,240
	<b>19,440</b>	134,640

### 10. PROPERTY, PLANT AND EQUIPMENT

#### Group

	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer and related equipment HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 April 2001	1	3,897	2,101	3,002	9,001
Additions	881	28	47	843	1,799
Disposals	(1)	–	(9)	(46)	(56)
<b>At 31 March 2002</b>	<b>881</b>	<b>3,925</b>	<b>2,139</b>	<b>3,799</b>	<b>10,744</b>
<b>Accumulated depreciation/ amortisation</b>					
At 1 April 2001	1	3,044	1,526	1,772	6,343
Charge for the year	29	469	297	675	1,470
Written back on disposals	(1)	–	(6)	(46)	(53)
<b>At 31 March 2002</b>	<b>29</b>	<b>3,513</b>	<b>1,817</b>	<b>2,401</b>	<b>7,760</b>
<b>Net book value</b>					
<b>At 31 March 2002</b>	<b>852</b>	<b>412</b>	<b>322</b>	<b>1,398</b>	<b>2,984</b>
At 31 March 2001	–	853	575	1,230	2,658

Furniture and fixtures include an amount of HK\$2,895,000 (2001: HK\$2,895,000) in respect of leasehold improvements and the related accumulated depreciation amounts to HK\$2,580,000 (2001: HK\$2,207,000).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 11. INTEREST IN SUBSIDIARIES

	2002 HK\$'000	Restated 2001 HK\$'000
Unlisted shares, at cost	46,881	46,881
Amount due from a subsidiary	54	4,418
	<b>46,935</b>	51,299

Particulars of the Company's principal subsidiaries as at 31 March 2002 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 (Continued)

For the year ended 31 March 2002

### 12. INTEREST IN ASSOCIATES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	–	–	2,500	2,500
Share of net assets	2,333	2,345	–	–
Amounts due from associates	–	118	–	24
Less: Provision for impairment in value	–	–	–	(73)
	<b>2,333</b>	2,463	<b>2,500</b>	2,451

Particulars of the Company's principal associate as at 31 March 2002 are as follows:

Name	Place of incorporation	Particulars of issued and fully paid capital	Attributable equity interest held directly by the Company	Principal activities
Eva Asset Management Limited	Hong Kong	5,000,000 shares of HK\$1 each	50%	Investment management services

### 13. OTHER INVESTMENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Investment securities				
Listed equity securities in Hong Kong, at fair value	1,663	10,656	1,035	6,835
Participating interest in mutual fund, at fair value (note (a))	23,546	–	23,546	–
Unlisted equity securities, at fair value	12,154	–	12,154	–
Unlisted debt securities, at directors' valuation	–	50	–	–
Club debentures	1,102	1,102	256	256
	<b>38,465</b>	11,808	<b>36,991</b>	7,091
Market value of listed securities	<b>1,663</b>	10,656	<b>1,035</b>	6,835

- (a) During the year, the Group invested into an open-ended mutual fund which is principally engaged in investment in quoted securities in Asia excluding Japan. The Company's associate is the manager of the mutual fund.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 14. OTHER ASSETS

	Group	
	2002 HK\$'000	2001 HK\$'000
Deposits with The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):		
Compensation fund	150	150
Fidelity fund	150	150
Stamp duty deposit	150	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	1,500	1,500
	<b>2,350</b>	<b>2,450</b>

### 15. TRADING SECURITIES

	Group and Company	
	2002 HK\$'000	2001 HK\$'000
Listed equity securities in Hong Kong, at fair value	15,435	8,143
Market value of listed equity securities	15,435	8,143

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 16. TRADE AND OTHER RECEIVABLES

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Debtors due:		
– within one month	124,289	91,312
– within six months	78	–
Custodian and margin accounts receivable #	46,477	43,115
Other and sundry receivables	22,898	25,868
	<b>193,742</b>	160,295

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\$880,000 (2001: HK\$1,623,000) and amounts due from a fellow subsidiary of HK\$16,830,000 (2001: HK\$9,255,000) which represent trades pending settlement as of the balance sheet date. Other and sundry receivables include current account balances due from fellow subsidiaries of HK\$512,000 (2001: HK\$12,000).

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

### 17. CASH AT BANKS AND IN HAND

Cash at banks include HK\$159,163,000 (2001: HK\$180,032,000), of client funds, which have been deposited in separate designated bank accounts.

### 18. TRADE AND OTHER PAYABLES

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Creditors due within one month	120,652	107,574
Custodian and margin accounts payable #	202,776	157,222
Other and sundry payables	43,661	60,476
	<b>367,089</b>	325,272



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 18. TRADE AND OTHER PAYABLES (Continued)

Included in trade payables is amounts due to a fellow subsidiary of HK\$51,730,000 (2001: HK\$3,983,000) and amounts due to directors of HK\$3,757,000 (2001: Nil) which represent trades pending settlement as of the balance sheet date. Other and sundry payables include amounts due to ultimate holding company of HK\$33,085,000 (2001: HK\$28,815,000) and a current account balance due to a fellow subsidiary of HK\$1,000 (2001: HK\$72,000) 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.

### 19. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY

The amounts due to ultimate holding company are unsecured, repayable on demand and bear interest at commercial rates. As at 31 March 2002, these advances were denominated in Singapore dollars and bore interest at 7.5% per annum (see note 29).

### 20. SHARE CAPITAL

	2002 HK\$'000	2001 HK\$'000
Authorised: 200,000,000 ordinary shares of HK\$0.20 each	<b>40,000</b>	40,000
Issued and fully paid: 72,000,000 ordinary shares of HK\$0.20 each	<b>14,400</b>	14,400

#### Share option scheme

Pursuant to the share option scheme adopted by the Company on 29 December 1997, the directors may, at their discretion, offer to any employees (including any executive director) of the Group, options to subscribe for shares in the capital of the Company. Further details of the scheme are set out under the heading "Share Option Scheme" in the Report of the Directors on pages 8 to 15.

### 21. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the Company's financial statements is HK\$204,573,000 (Restated 2001: HK\$77,631,000).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 22. RESERVES

Group	Share Premium HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
At 1 April 2000						
– As previously reported	116,612	12,687	179,722	53,470	–	362,491
– Prior year adjustments:						
• effect of adopting SSAP 9 (revised) (note 2(a)(i))	–	–	–	47,520	–	47,520
• proposed cash bonus and final dividend for 2000	–	–	–	(47,520)	47,520	–
	–	–	–	–	47,520	47,520
– As restated	116,612	12,687	179,722	53,470	47,520	410,011
Revaluation surplus arising on other investments	–	2,496	–	–	–	2,496
Reserve realised upon disposal of other investments	–	(11,592)	–	–	–	(11,592)
Profit attributable to shareholders for the year	–	–	–	105,200	–	105,200
Dividends paid for 2000	–	–	–	–	(47,520)	(47,520)
Dividends proposed for 2001 (note 9)	–	–	–	(134,640)	134,640	–
Dividends paid for 2001	–	–	–	–	(43,200)	(43,200)
At 31 March 2001 and 1 April 2001						
– As previously reported	116,612	3,591	179,722	24,030	–	323,955
– Prior year adjustments:						
• effect of adopting SSAP 9 (revised) (note 2(a)(i))	–	–	–	91,440	–	91,440
• proposed cash bonus and final dividend for 2001	–	–	–	(91,440)	91,440	–
	–	–	–	–	91,440	91,440
– As restated	116,612	3,591	179,722	24,030	91,440	415,395
Revaluation surplus arising on other investments	–	5,233	–	–	–	5,233
Reserve realised upon disposal of other investments	–	(3,443)	–	–	–	(3,443)
Profit attributable to shareholders for the year	–	–	–	35,691	–	35,691
Dividends paid for 2001	–	–	–	–	(91,440)	(91,440)
Dividends proposed for 2002 (note 9)	–	–	–	(19,440)	19,440	–
Dividends paid for 2002	–	–	–	–	(7,200)	(7,200)
<b>At 31 March 2002</b>	<b>116,612</b>	<b>5,381</b>	<b>179,722</b>	<b>40,281</b>	<b>12,240</b>	<b>354,236</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 22. RESERVES (Continued)

#### Company

	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Retained Profits/ (Accumulated losses) HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
At 1 April 2000					
– As previously reported	116,612	–	197	–	116,809
– Prior year adjustments					
• effect of adopting SSAP 9 (revised) (note 2(a)(i))	–	–	24,520	–	24,520
• proposed cash bonus and final dividend for 2000	–	–	(47,520)	47,520	–
	–	–	(23,000)	47,520	24,520
– As restated	116,612	–	(22,803)	47,520	141,329
Revaluation deficit arising on other investments	–	(144)	–	–	(144)
Profit attributable to shareholders for the year	–	–	77,631	–	77,631
Dividends paid for 2000	–	–	–	(47,520)	(47,520)
Dividends proposed for 2001 (note 9)	–	–	(134,640)	134,640	–
Dividends paid for 2001	–	–	–	(43,200)	(43,200)
At 31 March 2001 and 1 April 2001					
– As previously reported	116,612	(144)	1,188	–	117,656
– Prior year adjustments					
• effect of adopting SSAP 9 (revised) (note 2(a)(i))	–	–	10,440	–	10,440
• proposed cash bonus and final dividend for 2001	–	–	(91,440)	91,440	–
	–	–	(81,000)	91,440	10,440
– As restated	116,612	(144)	(79,812)	91,440	128,096
Revaluation surplus arising on other investments	–	4,738	–	–	4,738
Revaluation deficit realised upon disposal of other investments	–	208	–	–	208
Profit attributable to shareholders for the year	–	–	204,573	–	204,573
Dividends paid for 2001	–	–	–	(91,440)	(91,440)
Dividends proposed for 2002 (note 9)	–	–	(19,440)	19,440	–
Dividends paid for 2002	–	–	–	(7,200)	(7,200)
<b>At 31 March 2002</b>	<b>116,612</b>	<b>4,802</b>	<b>105,321</b>	<b>12,240</b>	<b>238,975</b>

The Company's reserves available for distribution to shareholders as at 31 March 2002 amounted to approximately HK\$117,561,000 (Restated 2001: HK\$11,628,000).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 23. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$35,691,000 (2001: HK\$105,200,000) and the 72,000,000 (2001: 72,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2002 and 31 March 2001 have not been presented as the options outstanding had no dilutive effect on the basic earnings for the years then ended.

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	39,148	115,548
Share of losses of associates	12	122
Interest income	(15,614)	(33,168)
Interest charges	1,929	1,972
Unrealised holding (gain)/loss on trading securities	(975)	188
Amortisation on discount of held-to-maturity securities	–	(100)
Provision/(Write-back) for doubtful debts	142	(4,757)
Depreciation and amortisation of property, plant and equipment	1,470	1,122
Gain on disposal of property, plant and equipment	(6)	(90)
Gain on disposal of other investments	(7,484)	(39,458)
(Increase)/Decrease in trade and other receivables	(34,126)	125,081
Increase/(Decrease) in trade and other payables	41,888	(181,921)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>26,384</b>	<b>(15,461)</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Amounts due to ultimate holding company		Amounts due to a fellow subsidiary*	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Balance at 1 April 2001	<b>24,301</b>	23,750	<b>72</b>	33
Short term advances	–	15,181	<b>1</b>	39
Repayments	<b>(9,393)</b>	(16,495)	<b>(72)</b>	–
Interest charges on advances from ultimate holding company	<b>1,591</b>	1,865	–	–
Balance at 31 March 2002	<b>16,499</b>	24,301	<b>1</b>	72

\* included under trade and other payables.

### 25. BANKING FACILITIES

The Group had available overdraft banking facilities of HK\$100,000,000 (2001: HK\$100,000,000) as at 31 March 2002.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 26. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

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

	2002 HK\$'000	2001 HK\$'000
Fees		
– Executive	–	–
– Non-executive	110	100
Other emoluments		
– Salaries, allowances and benefits in kind	7,096	5,775
– Bonuses paid and payable	1,296	1,168
– Provident fund scheme contributions	258	110
	<b>8,760</b>	<b>7,153</b>

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

	2002	2001
<b>Emoluments band</b>		
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\$2,500,000 – HK\$3,000,000	1	–
HK\$3,000,000 – HK\$3,500,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	1

No directors waived any emoluments during the year.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 26. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

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

	2002	2001
Directors	2	2
Employees	3	3
	<b>5</b>	<b>5</b>

Information relating to directors' emoluments has been disclosed in note 26(a) above. The details of the emoluments and designated bands of the remaining highest paid, non-director individuals are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries, allowances and benefits in kind	3,824	4,764
Bonuses paid and payable	3,783	5,571
Provident fund scheme contributions	382	476
	<b>7,989</b>	<b>10,811</b>

	2002	2001
<b>Emoluments band</b>		
HK\$1,500,001 – HK\$2,000,000	2	–
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	1	–
HK\$6,000,001 – HK\$6,500,000	–	1

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 27. OPERATING LEASE COMMITMENTS

At 31 March 2002, the total future minimum lease payments in respect of property under a non-cancellable operating lease are payable as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	1,835	3,670
In the second to fifth years	–	1,835
	<b>1,835</b>	<b>5,505</b>

The company leases a property under an operating lease. The lease runs for an initial period of 3 years and does not include any contingent rentals.

### 28. 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 only, based on a percentage of the eligible employee's monthly basic salary.

The ORSO scheme was 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 (Continued)

For the year ended 31 March 2002

### 28. 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:

	2002 HK\$'000	2001 HK\$'000
Gross provident fund scheme contributions	1,929	1,903
Less: Forfeited contributions utilised to offset contributions to the ORSO scheme for the year	338	903
Net provident fund scheme contributions	<b>1,591</b>	1,000

As at 31 March 2002, there were forfeited contributions amounted to HK\$4,000 (2001: HK\$6,000) available to offset future employers' contributions to the ORSO scheme.

### 29. RELATED PARTY TRANSACTIONS

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 2002 is set out below:

	2002 HK\$'000	2001 HK\$'000
(i) Commission and brokerage income	1,320	1,526
(ii) Commission and brokerage charges	1,094	6,618
(iii) Interest charges on short term advances	1,591	1,865
(iv) Referral fees paid and payable	<b>6,047</b>	8,495

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 29. RELATED PARTY TRANSACTIONS (Continued)

The independent non-executive directors also confirmed that for the year ended 31 March 2002:

- 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 2002 amounted to HK\$496,000 (2001: HK\$580,000).

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.

At the time of the Company's listing, the Stock Exchange granted the Company a waiver from strict compliance with the requirements under Chapter 14 of the Listing Rules for full disclosure and approval of independent shareholders in general meeting in respect of certain continuing connected transactions. One of the conditions for the waiver is that the brokerage and commission income from the directors will not exceed 0.5% of the Group's turnover. During the year, the transactions amounted to 0.55% of the Group's turnover which exceeded the condition for the waiver but were less than HK\$1,000,000 and thus fell under the de minimus exemption limit prescribed in Rule 14.24(5) of the Listing Rules.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

### 30. POST BALANCE SHEET EVENT

On 28 February 2002, the Company entered into a disposal agreement with a fellow subsidiary, pursuant to which the Company will dispose of its entire direct and indirect equity interests in Kim Eng Securities (Hong Kong) Limited, Kim Eng Futures (Hong Kong) Limited and Kim Eng Nominees (Hong Kong) Limited, all being wholly owned subsidiaries of the Company, to the fellow subsidiary at an aggregate cash consideration of approximately HK\$159,473,000. The disposal was approved by independent shareholders at an extraordinary general meeting held on 15 April 2002 and was completed on 22 May 2002.

Upon completion of the disposal, the Group will no longer participate in the disposed business, including securities and futures broking, provision of margin financing, placing and underwriting and nominee and custodian services (the "Discontinuing Operations"). Thereafter, the Group will be principally engaged in corporate finance, corporate advisory and investment and trading in securities. Further details of the disposal are set out in the Company's announcements dated 6 March 2002 and 24 May 2002.

The turnover and profit for the year attributable to the Discontinuing Operations which have been included in the Group's income statement for the year ended 31 March 2002 are as follows:

	2002 HK\$'000	2001 HK\$'000
<b>Turnover</b>	<b>66,355</b>	110,600
Other revenue	<b>7,855</b>	48,299
Other operating expenses	<b>(46,596)</b>	(57,500)
<b>Profit from operations</b>	<b>27,614</b>	101,399
Finance costs	<b>(1,929)</b>	(1,970)
<b>Profit before taxation</b>	<b>25,685</b>	99,429
Taxation	<b>(2,452)</b>	(8,713)
<b>Profit for the year</b>	<b>23,233</b>	90,716

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 March 2002

## 31. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policies for proposed dividends in order to comply with SSAP 9 (revised), details of which are set out in note 2 to the financial statements.

## 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 18 to 51 were approved by the board of directors on 28 June 2002.