

Notes to the Financial Statements

For the year ended March 31, 2002

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Tipbest Group Limited

(1) General

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Directors consider the ultimate holding company at March 31, 2002 to be CCAA Group Limited, which is incorporated in the British Virgin Islands.

The principal activity of the Company was investment holding. Its subsidiaries are principally engaged in the provision of a wide range of financial services including securities broking, futures broking, margin financing, money lending, corporate finance advisory and assets management.

(2) Adoption of new and revised statements of standard accounting practice

In the current year, the Group has adopted the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 9 (Revised)	Events after the balance sheet date
SSAP 14 (Revised)	Leases
SSAP 17 (Revised)	Property, plant and equipment
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

SSAP 9 (Revised) prescribes the types of events occurring after the balance sheet date which require adjustment to the financial statements, and which require disclosure but no adjustment. Its principal impact on these financial statements is that a proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note (11) to the financial statements.

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(2) Adoption of new and revised statements of standard accounting practice (continued)

SSAP 14 (Revised) has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting year and, accordingly, no prior year adjustment has been required. Disclosures for all of the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that the management assesses whether the Group's predominant risks or 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 disclosures which are set out in note (4) to the financial statements.

SSAP 29 prescribes the accounting treatment for intangible assets that are not dealt with specifically in another SSAP. This statement requires an enterprise to recognise an intangible asset if, and only if, certain criteria are met. The statement also specifies how to measure the carrying amount of intangible assets and requires certain disclosures about intangible assets. "Trading rights in the Stock Exchange", being classified under "Other non-current assets" previously with its cost of approximately HK\$3,400,000, were reclassified as intangible assets and amortised as set out in note (3) below according to the accounting treatment mentioned in this SSAP.

The adoption of other new and revised SSAPs as outlined above does not have material impact on results reported in the current or prior years, though the terminology used and certain disclosures have been revised in line with the new requirements.

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Topbest Group Limited

(3) Summary of significant accounting policies

The financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). They have been prepared under the historical cost convention, as modified with respect to the measurement of investments in securities, as explained in the respective accounting policies below. The principal accounting policies adopted are set out below:

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

INVESTMENTS IN SUBSIDIARIES

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company’s balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

INTANGIBLE ASSETS

Intangible assets, representing the eligibility rights to trade on or through the Stock Exchange and Hong Kong Futures Exchange Limited (the “HKFE”), are stated in the balance sheet at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated to write off the cost of trading rights over a period of ten years in equal annual instalments.

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(3) Summary of significant accounting policies (continued)

PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

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

Furniture, fixtures and equipment	15% – 30%
Motor vehicles	15% – 30%

INVESTMENTS IN SECURITIES

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary on individual basis. The amount of the reduction is recognised as an expense in the income statement.

Other investments are measured at fair value with unrealised gains and losses included in net profit or loss for the year.

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Tipbest Group Limited

(3) Summary of significant accounting policies (continued)

IMPAIRMENT OF ASSETS

At each balance sheet date, the Group assesses whether there is any indication that investments in subsidiaries and securities, plant and equipment, intangible assets and other non-current assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the net selling price and value in use of an asset. The net selling price is the amount that could be obtained from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which is restricted to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

REVENUE RECOGNITION

Commission and brokerage income, underwriting commission, management and handling fees, corporate finance advisory fees and investment management fee are recognised when the services are rendered, the amount for which can be reliably estimated and it is probable that they will be received.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established.

Realised gains and losses on disposal of investments in securities are dealt with through the income statement on a trade date basis when a sales contract is entered into.

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Upbest Group Limited

(3) Summary of significant accounting policies (continued)

OPERATING LEASES

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

TAXATION

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

PROVISIONS AND CONTINGENCIES

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

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Tipbest Group Limited

(3) Summary of significant accounting policies (continued)

PROVIDENT FUND

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme became effective from December 1, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in foreign currencies are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

RELATED PARTIES

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

CASH EQUIVALENTS

Cash equivalents are 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. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

SEGMENT REPORTING

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

Segment assets consist mainly of intangible assets, fixed assets, other non-current assets, receivables and operating cash, and exclude investments in securities and tax recoverable. Segment liabilities comprise mainly of payables and bank borrowings, and exclude tax payable and amounts due to related parties. Capital expenditure comprises additions to fixed assets.

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Upbest Group Limited

(3) Summary of significant accounting policies (continued)

SEGMENT REPORTING (CONTINUED)

In respect of geographical segment reporting, turnover is based on the country of operations. Total assets and capital expenditure are where the assets are located.

(4) Turnover and segment information

TURNOVER

Turnover is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Commission and brokerage income from securities broking	11,202	19,340
Commission and brokerage income from futures broking	387	691
Interest income from		
– margin clients	9,804	18,875
– money lending	16,875	14,600
– financial institutions and others	2,728	4,281
Management and handling fees	1,764	2,523
Commission for subscribing new shares	94	500
Corporate finance advisory fees	2,600	710
Placement and underwriting commission	482	2,333
Investment management fee	5,309	485
	<hr/> 51,245 <hr/>	<hr/> 64,338 <hr/>

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(4) Turnover and segment information (continued)

SEGMENT INFORMATION

(a) Business segments

For management purposes, the Group is currently organised into four operating divisions namely broking, financing, corporate finance, and assets management. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Broking	Securities brokerage and futures brokerage
Financing	Margin financing and money lending
Corporate finance	Corporate finance advisory, placing and underwriting
Assets management	Assets management

An analysis of segment information about these businesses for the years ended March 31, 2002 and 2001 is as follows:

Segment	Broking		Financing		Corporate finance		Assets management		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
revenue:										
Sales to external customers	13,354	22,554	29,408	37,756	3,176	3,543	5,307	485	51,245	64,338
Segment results	4,912	11,946	22,763	28,629	1,336	1,963	1,156	460	30,167	42,998
Net investment (loss) income									(738)	20,427
Other income									4	146
Profit from operations									29,433	63,571
Taxation									4,845	6,879
Net profit for the year attributable to shareholders									24,588	56,692

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(4) Turnover and segment information (continued)

(a) Business segments (continued)

	Broking		Financing		Corporate finance		Assets management		Elimination		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Assets												
Segment assets	51,351	51,494	409,875	338,060	-	-	4,227	32	(24,851)	-	440,602	389,586
Investments in securities											24,182	26,331
Unallocated corporate assets											206	241
Consolidated total assets											<u>464,990</u>	<u>416,158</u>
Liabilities												
Segment liabilities	19,867	15,098	298,678	225,619	-	-	3,256	81	(24,851)	-	296,950	240,798
Unallocated corporate liabilities											32,821	32,529
Consolidated total liabilities											<u>329,771</u>	<u>273,327</u>
Other information												
Capital expenditure	337	1,117									337	1,117
Depreciation & amortisation	810	356	59	60							869	416

(b) Geographical segment

No geographical analysis is presented as all the Group's revenue and results are derived from activities in Hong Kong.

(5) Net investment (loss) income

	2002 HK\$'000	2001 HK\$'000
Unrealised (loss) gain on holding shares in Hong Kong Exchanges and Clearing Limited ("HKEC")	(900)	17,327
Realised gain on disposal of shares in HKEC	-	2,924
Realised loss on investment securities, unlisted	(496)	-
Dividend income from listed investments in HKEC	658	176
	<u>(738)</u>	<u>20,427</u>

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Tipbest Group Limited

(6) Profit from operations

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs, including Directors' remuneration as set out in note (8) below		
– Provident fund contributions	200	71
– Other staff costs	4,215	4,121
	<u>4,415</u>	<u>4,192</u>
Depreciation	529	416
Amortisation of intangible assets	340	–
Formation expenses written off	–	33
Auditors' remuneration		
– Current year	299	357
– Overprovision in prior year	(130)	–
Operating lease rentals in respect of rented premises	813	847
	<u>813</u>	<u>847</u>

(7) Finance costs

	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts	3,468	4,669
Interest on escrow money	1,834	3,400
	<u>1,834</u>	<u>3,400</u>
	<u>5,302</u>	<u>8,069</u>

Escrow money represents deposits paid by third parties to the Group in relation to potential investments in certain projects. Such deposits were interest-bearing at normal commercial rates.

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(8) Directors' and employees' emoluments

	2002 HK\$'000	2001 HK\$'000
Directors' emoluments:		
<i>Fees:</i>		
Executive Directors	—	—
Independent non-executive Directors	200	100
	<u>200</u>	<u>100</u>
 <i>Other emoluments of executive Directors:</i>		
Salaries and other benefits	686	632
Provident fund contributions	18	10
	<u>704</u>	<u>642</u>
	<u>904</u>	<u>742</u>

Notes to the Financial Statements

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(8) Directors' and employees' emoluments (continued)

The Directors' emoluments were within the following band:

	2002 Number of directors	2001 Number of directors
Nil - HK\$1,000,000	<u>7</u>	<u>6</u>

Employees' emoluments:

The five highest paid individuals did not include any Director (2001: included two Directors) of the Company, details of whose emoluments are shown above. The emoluments of the five (2001: the remaining three) highest paid individuals are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	1,496	559
Provident fund contributions	<u>35</u>	<u>9</u>
	<u>1,531</u>	<u>568</u>

The remuneration of each of the aforesaid employees was within the following band:

	2002 Number of employees	2001 Number of employees
Nil - HK\$1,000,000	<u>5</u>	<u>3</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals (including Directors and employees) as an inducement to join the Group or as compensation for loss of office. No Directors have waived any emoluments during the year.

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Upbest Group Limited

(9) Taxation

The charge comprises:

Hong Kong Profits Tax

Provision for the year

Underprovision in prior years

2002 HK\$'000	2001 HK\$'000
4,844	6,873
1	6
<u>4,845</u>	<u>6,879</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) on the estimated assessable profits for the year.

The Group and the Company did not have any significant unprovided deferred taxation for the year or at the balance sheet date.

(10) Net profit for the year attributable to shareholders

Of the Group's net profit for the year of approximately HK\$24,588,000 (2001: HK\$56,692,000), a profit of HK\$32,866,000 (2001: a loss of HK\$416,000) has been dealt with in the financial statements of the Company.

(11) Dividends

Special dividends

Interim dividend paid of HK1.5 cents (2001: Nil)
per ordinary share

Final dividend proposed of HK2.5 cents
(2001: HK10 cents) per ordinary share

2002 HK\$'000	2001 HK\$'000
—	46,000
4,200	—
<u>7,000</u>	<u>28,000</u>
<u>11,200</u>	<u>74,000</u>

The special dividends for 2001 of HK\$46,000,000 were paid by certain subsidiaries of the Group to their then shareholders prior to the group reorganisation in the last year ("Group Reorganisation").

Notes to the Financial Statements

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(11) Dividends (continued)

During the year, the Group adopted the revised SSAP 9 “Events after the balance sheet date” as detailed in note (2) to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended March 31, 2001 of HK\$28,000,000, which was recognised as a liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this is to reduce both the Group’s and the Company’s current liabilities and increase the reserves previously reported as at March 31, 2001 by HK\$28,000,000.

The effect of this change in accounting policy is that the current year’s proposed final dividend of HK\$7,000,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet as at March 31, 2002, whereas in previous year it would have been recognised as a current liability at the balance sheet date.

(12) Basic earnings per share

The calculation of basic earnings per share for the year is based on the net profit attributable to shareholders of HK\$24,588,000 (2001: HK\$56,692,000) and the weighted average number of 280,000,000 (2001: 245,000,000) shares in issue during the year.

There is no diluted earnings per share for the years ended March 31, 2002 and 2001 presented since the Company has no dilutive potential ordinary shares.

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Upbest Group Limited

(13) Plant and equipment

	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost			
At April 1, 2001	2,040	966	3,006
Additions	377	–	377
	<u>2,417</u>	<u>966</u>	<u>3,383</u>
At March 31, 2002	2,417	966	3,383
Accumulated depreciation			
At April 1, 2001	1,311	454	1,765
Provided for the year	296	233	529
	<u>1,607</u>	<u>687</u>	<u>2,294</u>
At March 31, 2002	1,607	687	2,294
Net book value			
At March 31, 2002	810	279	1,089
	<u>810</u>	<u>279</u>	<u>1,089</u>
At March 31, 2001	729	512	1,241
	<u>729</u>	<u>512</u>	<u>1,241</u>

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(14) Intangible assets

	Trading rights in the Stock Exchange and the HKFE	
	2002 HK\$'000	2001 HK\$'000 (Restated)
Cost		
At the beginning of the year	3,400	—
Addition	—	3,400
At the end of the year	<u>3,400</u>	<u>3,400</u>
Accumulated amortisation		
At the beginning of the year	—	—
Provided for the year	340	—
At the end of the year	<u>340</u>	<u>—</u>
Net book value		
At the end of the year	<u>3,060</u>	<u>3,400</u>

Trading rights in the Stock Exchange and the HKFE grouped under “Other non-current assets” as stated in the last year’s financial statements were reclassified as “Intangible assets” in the current year to comply with the accounting treatment as prescribed in SSAP 29.

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Upbest Group Limited

(15) Investments in subsidiaries

	The Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	10,615	10,615

Details of the Company's subsidiaries at March 31, 2002 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital	Percentage of equity interest held	Principal activities
Good Foundation Company Limited	Hong Kong	HK\$10,000	100%	Investment holding
Marco Tech Limited	British Virgin Islands	US\$2	100%	Investment holding
Upbest Assets Management Limited	Hong Kong	HK\$600,000	100%	Assets management
Upbest Bullion Company Limited	Hong Kong	HK\$5,500,000	100%	Bullion dealing
Upbest Commodities Company Limited	Hong Kong	HK\$10,000,000	100%	Futures dealing and broking
Upbest Cyber Trade Company Limited	Hong Kong	HK\$2	100%	Inactive
Upbest Finance Company Limited	Hong Kong	HK\$2	100%	Money lending

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(15) Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation	Issued and fully paid ordinary share capital	Percentage of equity interest held	Principal activities
Upbest Financial Holdings Limited	British Virgin Islands	US\$1	100%	Investment holding
Upbest Investment Company Limited	Hong Kong	HK\$20,000,000	100%	Margin financing
Upbest Securities Company Limited	Hong Kong	HK\$10,000,000	100%	Securities dealing and broking
Upbest Strategic Company Limited	Hong Kong	HK\$5,002	100%	Investment holding

Notes:

- (i) Other than Upbest Financial Holdings Limited, all subsidiaries are held by the Company indirectly.
- (ii) All subsidiaries are private limited companies with their respective principal place of operations in Hong Kong.
- (iii) None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.
- (iv) The amounts due from and to subsidiaries are unsecured, non-interest bearing and repayable on demand.

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Upbest Group Limited

(16) Investments in securities

	Investment securities		Other investments		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted, non-current equity securities	–	1,250	–	–	–	1,250
Listed, non-current equity securities	–	–	24,182	25,081	24,182	25,081
	<u>–</u>	<u>1,250</u>	<u>24,182</u>	<u>25,081</u>	<u>24,182</u>	<u>26,331</u>

- (i) The Group's investment securities as at March 31, 2001 are stated at cost and represent a 12.5% equity interest in eZ Financial Services Limited, a company which is incorporated in Hong Kong and engaged in the business of providing services in electronic securities trading. The investment securities were disposed of during the current year.
- (ii) Other investments in securities represent shares in HKEC which are listed on the Stock Exchange and are carried at market value.

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(17) Other non-current assets

	2002 HK\$'000	2001 HK\$'000 (Restated)
Hong Kong Securities Clearing Company Limited ("HKSCC")		
– Guarantee fund deposit	156	116
– Admission fee	100	100
Statutory deposit with the Stock Exchange	200	200
Statutory deposit with the Securities and Futures Commission	2,000	2,000
Statutory deposit with the HKFE	100	100
Reserve fund contribution to the Stock Exchange Options Clearing House Limited	1,300	1,500
Reserve fund contribution to HKFE Clearing Corporation Limited	1,500	1,500
	<u>5,356</u>	<u>5,516</u>

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Uipbest Group Limited

(18) Debtors, prepayments and deposits

	2002 HK\$'000	2001 HK\$'000
Amounts receivable arising from the ordinary course of business of dealing in securities and options:		
– Cash clients	5,908	11,228
– The SEHK Options Clearing House Limited	1	1
– HKSCC	3,884	–
Amounts receivable arising from the ordinary course of business of trading in futures contracts:		
– Clearing house	430	803
Amount receivable arising from the ordinary course of business of provision of securities margin financing		
– Clients	83,773	93,076
Interest bearing advances	251,024	187,057
Other receivables	4,276	4,150
Deposits and prepayments	198	323
	<u>349,494</u>	<u>296,638</u>

Margin client receivables of HK\$83,773,000 (2001: HK\$93,076,000) are repayable on demand, bearing interest at market rate and secured by clients' securities listed on the Stock Exchange with a market value of approximately HK\$199,286,000 as at March 31, 2002 (2001: HK\$193,000,000).

The settlement terms of cash client receivables and amounts due from clearing houses are one or two days after the trade date. The age of these balances is within 30 days.

No ageing analysis is disclosed for margin client receivables and interest bearing advances as, in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of business of share margin financing and money lending business.

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(19) Pledged fixed deposits with bank

The amount represents fixed deposits pledged to bank for securing general banking facilities granted to the Group.

(20) Other bank balances and cash

	2002 HK\$'000	2001 HK\$'000
Bank balances		
– General accounts	19,328	16,159
– Trust accounts	791	1,046
– Segregated accounts	319	2,171
Cash in hand	5	7
	<u>20,443</u>	<u>19,383</u>

(21) Bank borrowings

	2002 HK\$'000	2001 HK\$'000
Bank overdrafts, secured	<u>55,070</u>	<u>67,586</u>
The maturity of the above borrowings is as follows:		
On demand or within one year	<u>55,070</u>	<u>67,586</u>

The bank overdrafts were secured by fixed deposits of the Group, and interest bearing at 1% per annum over the interest rate of the pledged fixed deposits.

Notes to the Financial Statements

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Upbest Group Limited

(22) Creditors and accrued charges

	2002 HK\$'000	2001 HK\$'000
Amounts payable arising from the ordinary course of business of dealing in securities and options:		
– Cash clients	6,223	7,433
– Clients for trading in options	–	5
– HKSCC	–	4,319
Amounts payable arising from the ordinary course of business of trading in futures contracts:		
– Clients	718	2,241
Amount payable arising from the ordinary course of business of provision of securities margin financing		
– Clients	3,067	4,598
Escrow money received	146,480	93,300
Accruals and other payables	4,079	844
	<u>160,567</u>	<u>112,740</u>

No ageing analysis is disclosed for escrow money received as it represents deposits paid by third parties to the Group for the purpose of potential investments in certain projects and the balance at March 31, 2002 is interest free.

The settlement term of cash client payables is two days after the trade date. Other payables are repayable on demand. The age of these balances is within 30 days.

(23) Amounts due to related companies and a director

The amounts due are unsecured, non-interest bearing and repayable on demand.

(24) Amount due to a director

The amount due to a director is unsecured, interest-free and the Directors consider that it is not repayable within one year from the balance sheet date. This amount was previously recorded as “Current liabilities” in the last year’s financial statements and reclassified as “Non-current liabilities” in current year as the Directors are of the opinion that the amount due is not repayable within one year from the balance sheet date.

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For the year ended March 31, 2002

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Topbest Group Limited

(25) Share capital

	Number of shares ‘000	Share capital HK\$‘000
Ordinary shares of HK\$0.01 each		
<i>Authorised</i>		
On incorporation	35,000	350
Increase in authorised share capital	<u>2,965,000</u>	<u>29,650</u>
At March 31, 2001 and March 31, 2002	<u>3,000,000</u>	<u>30,000</u>
<i>Issued and fully paid</i>		
On incorporation	–	–
Issue of shares upon the Group Reorganisation	210,000	2,100
Issued on public flotation	<u>70,000</u>	<u>700</u>
At March 31, 2001 and March 31, 2002	<u>280,000</u>	<u>2,800</u>

On July 15, 2002, the Directors resolved to recommend a bonus issue of shares. The proposed bonus issue of shares will be made on the basis of three bonus shares for every one existing ordinary share held by the shareholders and will rank pari passu in all respects with the existing issued shares.

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For the year ended March 31, 2002

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Upbest Group Limited

(26) Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumu- lated losses) HK\$'000	Total HK\$'000
THE GROUP				
At March 31, 2000	–	5,415	57,935	63,350
Capital contributions	–	3,100	–	3,100
Premium on issue of shares in connection with listing	62,889	–	–	62,889
Net profit for the year	–	–	56,692	56,692
Special dividends paid	–	–	(46,000)	(46,000)
Proposed final dividend	–	–	(28,000)	(28,000)
	<u>62,889</u>	<u>8,515</u>	<u>40,627</u>	<u>112,031</u>
At March 31, 2001	62,889	8,515	40,627	112,031
Net profit for the year	–	–	24,588	24,588
Interim dividend paid	–	–	(4,200)	(4,200)
Proposed final dividend	–	–	(7,000)	(7,000)
	<u>62,889</u>	<u>8,515</u>	<u>54,015</u>	<u>125,419</u>
At March 31, 2002	<u>62,889</u>	<u>8,515</u>	<u>54,015</u>	<u>125,419</u>
THE COMPANY				
Arising on Group				
Reorganisation	–	8,515	–	8,515
Premium on issue of shares in connection with listing	62,301	–	–	62,301
Net loss for the period	–	–	(416)	(416)
Proposed final dividend	–	–	(28,000)	(28,000)
	<u>62,301</u>	<u>8,515</u>	<u>(28,416)</u>	<u>42,400</u>
At March 31, 2001	62,301	8,515	(28,416)	42,400
Net profit for the year	–	–	32,866	32,866
Interim dividend paid	–	–	(4,200)	(4,200)
Proposed final dividend	–	–	(7,000)	(7,000)
	<u>62,301</u>	<u>8,515</u>	<u>(6,750)</u>	<u>64,066</u>
At March 31, 2002	<u>62,301</u>	<u>8,515</u>	<u>(6,750)</u>	<u>64,066</u>

The contributed surplus of the Company represents the difference between the net assets of its subsidiaries and the nominal amount of the share capital issued by the Company at the time of the Group Reorganisation.

Notes to the Financial Statements

For the year ended March 31, 2002



(27) Reconciliation of profit before taxation to net cash inflow (outflow) from operating activities

	2002 HK\$'000	2001 HK\$'000 (Restated)
Profit before taxation	29,433	63,571
Interest expense	5,302	8,069
Dividend income	(658)	(176)
Depreciation	529	416
Amortisation of intangible assets	340	–
Loss on disposal of plant and equipment	–	5
Unrealised loss (gain) on other investments	900	(17,327)
Realised loss (gain) on disposal of investments in securities	496	(2,924)
Increase in debtors, prepayments and deposits	(52,856)	(86,370)
Decrease in amounts due from related companies	–	3,133
Decrease in amount due from a director	–	9,438
Increase (Decrease) in creditors and accrued charges	47,827	(106,212)
(Decrease) Increase in amounts due to related companies	(101)	19,361
Increase in amount due to a director	22,188	21,568
	<hr/>	<hr/>
Net cash inflow (outflow) from operating activities	53,400	(87,448)

Notes to the Financial Statements

For the year ended March 31, 2002

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Upbest Group Limited

(28) Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Contributed surplus HK\$'000	Borrowings HK\$'000	Amount due to a director HK\$'000 (Restated)
At March 31, 2000	2,100	5,415	12,300	–
Proceeds from issue of shares	63,589	–	–	–
Increase in contributed surplus	–	3,100	–	–
Advance from a director (note (24))	–	–	–	50,000
Repayment of a bank loan	–	–	(12,300)	–
At March 31, 2001 and March 31, 2002	<u>65,689</u>	<u>8,515</u>	<u>–</u>	<u>50,000</u>

Increase in contributed surplus represents capital contributions made by the substantial shareholder to the companies comprising the Group prior to the completion of the Reorganisation.

(29) Major non-cash transaction

There was no major non-cash transaction during the year.

In the last year, the Company issued and allotted, credited as fully paid, an aggregate of 209,999,998 shares of HK\$0.01 each in the Company at a price of HK\$1 per share as consideration for the transfer of shares upon the Group Reorganisation.

Notes to the Financial Statements

For the year ended March 31, 2002

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Upbest Group Limited

(30) Related party transactions

During the year, the Group had the following material transactions with its related parties:

Name of related party	Nature of transaction	2002 HK\$'000	2001 HK\$'000
UBA Investments Limited	Investment management fee (i)	1,343	454
Town Bright Industries Limited	Rental expenses and building management fee (ii)	824	849
Charles Cheng (Secretaries) Limited	Professional fee (iii) Management fee (iii)	– –	350 7
Upbest Capital International Company Limited	Interest income (iv)	–	26
Directors and their associates	Interest income (iv)	–	1,034

Mr. Cheng Kai Ming, Charles, a Director of the Company, has beneficial interests in UBA Investments Limited, Town Bright Industries Limited, Charles Cheng (Secretaries) Limited and Upbest Capital International Company Limited.

Notes:

- (i) Investment management fee was charged at 1.5% of the net asset value of UBA Investments Limited.
- (ii) The rental expenses and building management fee were transacted at the market rate.
- (iii) Professional fee and management fee were transacted at cost plus a percentage profit mark-up.
- (iv) Interest income, derived from margin financing, was charged at market rates.

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For the year ended March 31, 2002

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Upbest Group Limited

(31) Contingent liabilities

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at March 31, 2002 amounted to approximately HK\$40 million (2001: HK\$53 million).

(32) Operating lease commitments

At March 31, 2002, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2002 HK\$'000	2001 HK\$'000
Within one year	820	735
In the second to fifth years inclusive	336	981
	<u>1,156</u>	<u>1,716</u>