

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

1. GENERAL INFORMATION

The principal activities of the Company are investment holding and securities trading and investment. The principal activities of its subsidiaries are provision of corporate finance and corporate advisory services.

The directors consider the ultimate holding company to be Kim Eng Ong Asia Holdings Ltd (“Kim Eng Singapore”), 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 15 to 47 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 securities as further explained in (f) below.

Adoption of new and revised SSAPs

In the current year, the Group has adopted for the first time, the following revised and new SSAPs:

(i) *SSAP 1 (Revised): Presentation of financial statements*

In adopting SSAP 1 (Revised), the Group is required to present a statement of changes in equity instead of a statement of recognised gains and losses. Comparative amounts have been restated to achieve a consistent presentation.

(ii) *SSAP 15 (Revised): Cash flow statement*

In adopting SSAP 15 (Revised), the Group is required to prepare a cash flow statement to report cash flows during the year classified by operating, investing and financing activities only. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Comparative amounts have been restated to achieve a consistent presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(iii) SSAP 34: Employee benefits

Employee entitlements

In adopting SSAP 34, employee entitlements to annual leave and long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

In prior year, no provision was made for employee annual leave and long service payment entitlements. The adoption of SSAP 34 has not resulted in any significant changes to the prior year's net assets and results and accordingly, no prior year adjustment is required.

(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) Goodwill or negative goodwill on consolidation

Goodwill or negative goodwill on consolidation represents the deficit or excess respectively of the Group's share of the fair value of the separable net assets of subsidiaries and associates at their respective acquisition dates over the cost of investment.

Goodwill or negative goodwill arising on acquisitions that occurred prior to 1 January 2001 was offset against reserves or included as a component of reserves under capital reserve respectively. The Group has adopted the transitional provisions in SSAP 30 and such goodwill has not been retrospectively capitalised and amortised. Accordingly, goodwill or 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 or at such time as the goodwill is determined to be impaired.

Any goodwill arising on acquisitions after 1 January 2001 will be capitalised and amortised over its estimated useful life. Goodwill on the acquisition of an associate is included with the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill arising on acquisitions of subsidiaries 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. Negative goodwill arising on acquisitions of associates after 1 January 2001 is deducted from the carrying value of that associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(f) Investments in securities (cont'd)

(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.

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

Gains and losses on disposal of investments in 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 $\frac{1}{3}$ %
Leasehold improvements	33 $\frac{1}{3}$ %
Office equipment	33 $\frac{1}{3}$ %
Computer and related equipment	33 $\frac{1}{3}$ %

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(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.

(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) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. 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. Impairment losses are recognised in the income statement unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

(i) *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) *Reversals of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(l) Employee benefits

(i) *Employee entitlements*

Employee entitlements to annual leave and long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(ii) *Staff bonus*

Provision for staff bonus is recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) *Pension obligations*

The Group contributes to a defined contribution retirement benefits scheme which is available to all employees. Contributions to the scheme by the Group and its employees are calculated as a percentage of employees' basic salaries. The retirement benefits scheme cost charged to the income statement represents contributions payable by the Group to the scheme.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

(m) Cash and cash equivalents

Cash comprises cash on hand and demand deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(n) 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 securities are recognised as revenue on a trade date basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

3. SEGMENT INFORMATION

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:

Continuing operations:

- (a) the trading and investment segment is engaged in securities trading and investment and other investment holding;
- (b) the corporate advisory segment is engaged in the provision of corporate finance and corporate advisory services; and
- (c) the corporate and others segment comprises operations other than those specified in (a) and (b) above.

Discontinued operations (note 4):

- (d) the broking segment is engaged in securities and futures broking and custodian services;
- (e) the placement and underwriting segment is engaged in the provision of placement and underwriting/sub-underwriting services;
- (f) the margin financing and others segment is engaged in the provision of margin financing services and operations other than those specified in (d) and (e) above;

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

3. SEGMENT INFORMATION (cont'd)

(a) Business segments

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

2003

	Continuing			Discontinued			Elimination	Consolidated
	Trading and investment	Corporate advisory	Corporate and others	Broking	Placement and underwriting	Margin financing and others		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Segment revenue:								
Sales to external customers	534	11,950	3,418	9,955	543	1,042	-	27,442
Other revenue	6,232	-	425	108	-	221	-	6,986
Intersegment sales	73	-	-	(73)	-	-	-	-
	6,839	11,950	3,843	9,990	543	1,263	-	34,428
Segment results	6,501	743	3,361	2,552	310	610	-	14,077
Shares of profits of associates			40					40
Gain on disposal of brokerage business (note 4)								187,377
Profit before taxation								201,494
Taxation								(1,656)
Profit attributable to shareholders								199,838
Segment assets	41,058	563	167,195	-	-	-	(17,500)	191,316
Interest in associates			2,373					2,373
Unallocated assets								90
Total assets								193,779
Segment liabilities	-	1,375	547	-	-	-	-	1,922
Unallocated liabilities								306
Total liabilities								2,228
Other segment information								
Depreciation	-	104	-	218	-	-	-	322
Capital expenditure	-	183	-	-	-	-	-	183

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

3. SEGMENT INFORMATION (cont'd)

(a) Business segments (cont'd)

2002

	Continuing			Discontinued			Elimination HK\$'000	Consolidated HK\$'000
	Trading and investment HK\$'000	Corporate advisory HK\$'000	Corporate and others HK\$'000	Broking HK\$'000	Placement and underwriting HK\$'000	Margin financing and others HK\$'000		
Segment revenue:								
Sales to external customers	9,891	11,141	1,824	51,070	2,259	13,318	-	89,503
Other revenue	2,539	(2)	5	409	600	6,553	-	10,104
Intersegment sales	209	15	-	(209)	-	-	(15)	-
	12,639	11,154	1,829	51,270	2,859	19,871	(15)	99,607
Segment results	12,379	1,436	(147)	7,658	2,439	15,395	-	39,160
Shares of losses of associates			(12)					(12)
Profit before taxation								39,148
Taxation								(3,457)
Profit attributable to shareholders								35,691
Segment assets	101,860	1,365	168,591	293,645	48	229,442	(49,435)	745,516
Interest in associates								2,333
Unallocated assets								18,008
Total assets								765,857
Segment liabilities	-	2,923	2,049	361,352	43	17,275	(54)	383,588
Unallocated liabilities								13,633
Total liabilities								397,221
Other segment information								
Depreciation	-	72	-	1,398	-	-	-	1,470
Capital expenditure	-	116	-	1,683	-	-	-	1,799

(b) Geographical segments

As over 90% of the Group's revenue, results, assets and liabilities for the year ended 31 March 2003 are derived from operations in Hong Kong, information by geographical segment has not been presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

4. DISCONTINUED OPERATIONS

On 28 February 2002, the Company entered into a disposal agreement with a fellow subsidiary pursuant to which the Company disposed of all its 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 ("the brokerage business"), 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. The gain on disposal of the brokerage business was approximately HK\$187,377,000 (note 24).

Upon completion of the disposal, the Group no longer participates in the brokerage business, including securities and futures broking, provision of margin financing, placing and underwriting and nominee and custodian services (collectively defined as the "Discontinued Operations"). Thereafter, the Group is 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 results of the brokerage business for the year are as follows:

	2003	2002
	HK\$'000	HK\$'000
Turnover	11,467	66,438
Other revenue	329	7,562
Operating expenses	(8,148)	(46,579)
Profit from operations	3,648	27,421
Finance costs	(176)	(1,929)
Profit before taxation	3,472	25,492
Taxation	(595)	(2,452)
Net profit after taxation	2,877	23,040

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

5. TURNOVER

Analysis of turnover by principal activities is as follows:

	2003 HK\$'000	2002 HK\$'000
Commission and brokerage from securities and futures dealing	9,805	50,457
Custodian and handling service fees	77	404
Interest income from		
– Clients	3,572	6,021
– Banks	765	9,564
– Others	1	29
Net income from investment securities and trading securities		
– realised gain*	369	8,653
– unrealised gain on trading securities	234	975
Placement/underwriting/sub-underwriting and financial advisory fees	12,619	13,400
	27,442	89,503

* realised gain includes gain on disposal of trading securities of HK\$187,000 (2002: HK\$5,386,000) and gain on disposal of other investments amounting to HK\$182,000 (2002: HK\$3,267,000) which included revaluation surplus of HK\$56,000 (2002: revaluation deficit of HK\$292,000) previously recognised in investment revaluation reserve.

6. OTHER REVENUE

	2003 HK\$'000	2002 HK\$'000
Administration and research fees	108	163
Exchange gain	216	581
Gain on disposal of property, plant and equipment	–	6
Gain on disposal of investment securities (including revaluation surplus of HK\$1,205,000 (2002: HK\$3,735,000) previously recognised in investment revaluation reserve)	4,675	4,217
Write-back of accruals	425	–
Dividend income from investments in securities	1,557	2,539
Sundry	5	2,598
	6,986	10,104

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

7. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest charges on bank overdrafts and short term bank loans	–	338
Interest charges on advances from ultimate holding company	176	1,591
	176	1,929

8. PROFIT BEFORE TAXATION

	2003 HK\$'000	2002 HK\$'000
Profit before taxation is arrived at after charging:		
Auditors' remuneration	244	617
Depreciation and amortisation expenses	322	1,470
Provision for doubtful debts	–	142
Operating lease charges in respect of land and buildings	1,181	3,611
Contribution to retirement fund schemes (note 27)	542	1,591
Loss on disposal of property, plant and equipment	15	–

9. TAXATION

(a) The charge represents:

	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax		
– current year	1,459	3,949
– under/(over)-provision in prior years	197	(492)
	1,656	3,457

Hong Kong profits tax is provided at the rate of 16% (2002: 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

For the year ended 31 March 2003

10. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Special interim dividend of HK\$2.5 (2002: nil) per share	180,000	–
Interim dividend of HK 2 cents (2002: HK 10 cents) per share	1,440	7,200
Proposed final dividend of HK 2 cents (2002: HK 17 cents) per share	1,440	12,240
	182,880	19,440

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vehicle HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer and related equipment HK\$'000	Total HK\$'000
Cost					
At 1 April 2002	881	3,925	2,139	3,799	10,744
Additions	–	143	3	37	183
Disposals	–	(26)	(13)	(5)	(44)
Disposal of brokerage business	(881)	(3,837)	(2,038)	(3,677)	(10,433)
At 31 March 2003	–	205	91	154	450
Accumulated depreciation/ amortisation					
At 1 April 2002	29	3,513	1,817	2,401	7,760
Charge for the year	25	110	59	128	322
Written back on disposals	–	(11)	(13)	(1)	(25)
Disposal of brokerage business	(54)	(3,521)	(1,781)	(2,440)	(7,796)
At 31 March 2003	–	91	82	88	261
Net book value					
At 31 March 2003	–	114	9	66	189
At 31 March 2002	852	412	322	1,398	2,984

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

12. INTEREST IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	15,000	46,881
Amount due from a subsidiary	–	54
	15,000	46,935

Particulars of the Company's principal subsidiaries as at 31 March 2003 are as follows:

Name	Place of incorporation	Particulars of issued capital	Attributable equity interest held directly by the Company		Principal activities
			2003	2002	
Kim Eng Capital (Hong Kong) Limited	Hong Kong	10,000,000 shares of HK\$1 each	100%	100%	Corporate finance and corporate advisory
Kim Eng Corporate Finance (Hong Kong) Limited	Hong Kong	5,000,000 shares of HK\$1 each	100%	–	Corporate finance and corporate advisory

During the year, the Company disposed of all its direct and indirect equity interests in three wholly owned subsidiaries; Kim Eng Securities (Hong Kong) Limited, Kim Eng Futures (Hong Kong) Limited and Kim Eng Nominees (Hong Kong) Limited, details of which are set out in notes 4 and 24.

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13. INTEREST IN ASSOCIATES

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	–	–	2,500	2,500
Share of net assets	2,373	2,333	–	–
	2,373	2,333	2,500	2,500

Particulars of the Company's associate as at 31 March 2003 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

14. OTHER INVESTMENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Investment securities				
Listed equity securities in Hong Kong, at fair value	–	1,663	–	1,035
Participating interest in mutual fund, at fair value [#]	21,826	23,546	21,826	23,546
Unlisted equity securities, at fair value	–	12,154	–	12,154
Club debentures	256	1,102	256	256
	22,082	38,465	22,082	36,991
Market value of listed securities	–	1,663	–	1,035

[#] 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.

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For the year ended 31 March 2003

15. OTHER ASSETS

	Group	
	2003 HK\$'000	2002 HK\$'000
Deposits with the Stock Exchange:		
Compensation fund	–	150
Fidelity fund	–	150
Stamp duty deposit	–	150
Contribution to the Compensation Fund of Hong Kong Futures Exchange Limited	–	100
Contribution to the Central Clearing and Settlement System Guarantee Fund	–	150
Admission fee paid to Hong Kong Securities Clearing Company Limited	–	150
Deposit with HKFE Clearing Corporation Limited in contribution to the Reserve Fund	–	1,500
	–	2,350

16. TRADING SECURITIES

	Group and Company	
	2003 HK\$'000	2002 HK\$'000
Listed equity securities in Hong Kong, at fair value	5,863	15,435
Market value of listed equity securities	5,863	15,435

17. TRADE AND OTHER RECEIVABLES

	Group	
	2003 HK\$'000	2002 HK\$'000
Debtors due:		
– within one month	128	124,289
– within six months	246	78
Custodian and margin accounts receivable	–	46,477
Other and sundry receivables	58	22,898
	432	193,742

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17. TRADE AND OTHER RECEIVABLES (cont'd)

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.

As at 31 March 2002, trade receivables included amounts due from a director of HK\$880,000 and amounts due from a fellow subsidiary of HK\$16,830,000 which represented trades pending settlement as of that date. Other and sundry receivables as at 31 March 2002 included a current account balance due from a fellow subsidiary of HK\$512,000.

18. CASH AT BANKS AND IN HAND

Cash at banks include nil (2002: HK\$159,163,000) of client funds, which have been deposited in separate designated bank accounts.

19. TRADE AND OTHER PAYABLES

	Group	
	2003 HK\$'000	2002 HK\$'000
Creditors due within one month	–	120,652
Custodian and margin accounts payable	–	202,776
Other and sundry payables	1,922	43,661
	1,922	367,089

Other and sundry payables include provision for staff bonus and provision for unused annual leave, the details of which are set out below. The provision for staff bonus comprises the discretionary bonus payable to directors and employees of a subsidiary as at the balance sheet date and the contractual bonuses payable to staff accrued to the balance sheet date. The discretionary bonuses are to reward staff for their contributions and are best estimates by the directors with reference to the overall results of the subsidiary and individual performances during the year. However, the exact amount payable to each individual is subject to directors' final determination after the financial statements are approved.

NOTES TO THE FINANCIAL STATEMENTS

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19. TRADE AND OTHER PAYABLES (cont'd)

Movements in the provision for staff bonus and unused annual leave are as follows:

	Staff bonus HK\$'000	Unused annual leave HK\$'000
Balance at 1 April 2002	2,723	–
Provision made during the year	2,245	136
Provision utilised during the year	(3,753)	–
Balance at 31 March 2003	1,215	136

As at 31 March 2002, trade payables included amounts due to a fellow subsidiary of HK\$51,730,000 and amounts due to directors of HK\$3,757,000 which represented trades pending settlement as of that date. Other and sundry payables as at 31 March 2002 included amounts due to ultimate holding company of HK\$33,085,000 and a current account balance due to a fellow subsidiary of HK\$1,000 which were unsecured, interest free and had no fixed terms of repayment.

20. SHARE CAPITAL

	2003 HK\$'000	2002 HK\$'000
Authorised: 200,000,000 ordinary shares of HK\$0.20 each	40,000	40,000
Issued and fully paid: 72,000,000 ordinary shares of HK\$0.20 each	14,400	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 10 to 11.

21. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the Company's financial statements is HK\$131,130,000 (2002: HK\$204,573,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

22. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$199,838,000 (2002: HK\$35,691,000) and the 72,000,000 (2002: 72,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2003 and 31 March 2002 have not been shown as the options outstanding had no dilutive effect on the basic earnings for the years then ended.

23. RESERVES

Group	2003 HK\$'000	2002 HK\$'000
Share premium	116,612	116,612
Investment revaluation reserve	1,821	5,381
Capital reserve	39	179,722
Retained profits	57,239	40,281
Dividend reserve	1,440	12,240
At 31 March 2003	177,151	354,236
Reserves retained by:		
Companies and subsidiaries		
– share premium	116,612	116,612
– investment revaluation reserve	1,821	5,381
– capital reserve	39	179,722
– retained profits	57,366	40,448
– dividend reserve	1,440	12,240
	177,278	354,403
Associates		
– accumulated losses	(127)	(167)
	177,151	354,236

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on page 20.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

23. RESERVES (cont'd)

Company	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
At 1 April 2001	116,612	(144)	(79,812)	91,440	128,096
Revaluation surplus arising on other investments	–	4,738	–	–	4,738
Reserve 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 10)	–	–	(19,440)	19,440	–
Dividends paid for 2002	–	–	–	(7,200)	(7,200)
At 31 March 2002 and 1 April 2002	116,612	4,802	105,321	12,240	238,975
Revaluation deficit arising on other investments	–	(1,721)	–	–	(1,721)
Reserve realised upon disposal of other investments	–	(1,261)	–	–	(1,261)
Profit attributable to shareholders for the year	–	–	131,130	–	131,130
Dividends paid for 2002	–	–	–	(12,240)	(12,240)
Dividends proposed for 2003 (note 10)	–	–	(182,880)	182,880	–
Dividends paid for 2003	–	–	–	(181,440)	(181,440)
At 31 March 2003	116,612	1,820	53,571	1,440	173,443

The Company's reserves available for distribution to shareholders as at 31 March 2003 amounted to approximately HK\$55,011,000 (2002: HK\$117,561,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

24. NOTE TO THE CASH FLOW STATEMENT

Disposal of subsidiaries

As referred to in note 4, on 22 May 2002 the Group sold its brokerage business to a fellow subsidiary by disposing of three of its wholly owned subsidiaries (note 12).

The net assets of these subsidiaries at the date of disposal and the amount of cash flows attributable to the disposal of subsidiaries are as follows:

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	2,725
Other investments	1,407
Other assets	2,350
Trade and other receivables	304,716
Tax recoverable	7
Cash at banks and in hand	339,325
Trade and other payables	(467,937)
Amounts due to ultimate holding company	(16,582)
Provision for tax	(13,871)
	<hr/> 152,140
Release of reserves upon disposal:	
Capital reserve	(179,683)
Investment revaluation reserve	(511)
	<hr/> (28,054)
Share of stamp duty on the disposal agreement	150
Gain on disposal of brokerage business (note 4)	187,377
	<hr/> 159,473
Consideration	<hr/> <hr/> 159,473
Satisfied by:	
Cash	<hr/> <hr/> 159,473
Analysis of net cash outflow in respect of disposal of subsidiaries:	
Cash consideration received	159,473
Share of stamp duty on the disposal agreement paid	(150)
Cash at banks and in hand disposed of	(339,325)
	<hr/> <hr/> <hr/> (180,002)

During the year, the subsidiaries disposed of contributed HK\$2,444,000 to the Group's net operating cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

25. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

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

	2003 HK\$'000	2002 HK\$'000
Fees		
– Executive	–	–
– Non-executive	160	110
Other emoluments		
– Salaries, allowances and benefits in kind	2,508	7,096
– Bonuses paid and payable	911	1,296
– Retirement fund scheme contributions	158	258
	3,737	8,760

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

	2003	2002
Emoluments band		
HK\$0–HK\$1,000,000	11	5
HK\$1,000,001–HK\$1,500,000	–	1
HK\$1,500,001–HK\$2,000,000	–	1
HK\$2,000,001–HK\$2,500,000	1	–
HK\$2,500,001–HK\$3,000,000	–	1
HK\$3,000,001–HK\$3,500,000	–	1

No directors waived any emoluments during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

25. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (cont'd)

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

	2003	2002
Directors	1	2
Employees	4	3
	5	5

Information relating to directors' emoluments has been disclosed in note 25(a) above. The details of the emoluments and designated bands of the remaining highest paid, non-director individuals are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and benefits in kind	3,396	3,824
Bonuses paid and payable	1,294	3,783
Retirement fund scheme contributions	94	382
	4,784	7,989

	2003	2002
Emoluments band		
HK\$500,001–HK\$1,000,000	3	–
HK\$1,500,001–HK\$2,000,000	–	2
HK\$2,000,001–HK\$2,500,000	1	–
HK\$4,000,001–HK\$4,500,000	–	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

26. OPERATING LEASE COMMITMENTS

At 31 March 2003, the total future minimum lease payments in respect of a property under a non-cancellable operating lease are payable as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	–	1,835
In the second to fifth years	–	–
	–	1,835

27. RETIREMENT FUND SCHEMES

The Group has operated a defined contribution retirement fund scheme jointly with a fellow subsidiary, Kim Eng Securities (Hong Kong) Limited, 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 solely based on a percentage of the eligible employee's monthly basic salary.

The ORSO scheme has now been closed to new employees with the commencement of Mandatory Provident Fund ("MPF") scheme on 1 December 2000.

Since the MPF scheme commencement date, any new staff joining the Group are required to join the MPF scheme. Both the Group and the employees are to contribute 5% of their relevant income to the MPF scheme.

The details of retirement 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:

	2003 HK\$'000	2002 HK\$'000
Gross retirement fund scheme contributions	547	1,929
Less: Forfeited contributions utilised to offset contributions to the ORSO scheme for the year	5	338
Net retirement fund scheme contributions	542	1,591

As at 31 March 2003, there were no forfeited contributions (2002: HK\$4,000) available to offset future employers' contributions to the ORSO scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

28. 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 2003 is set out below:

	2003	2002
	HK\$'000	HK\$'000
(i) Commission and brokerage income	817	1,320
(ii) Commission and brokerage charges	567	1,094
(iii) Interest charges on short term advances	176	1,591
(iv) Referral fees paid and payable	1,298	6,047
(v) Sharing of office premises	674	–
(vi) Sharing of facilities and administrative services	322	–

In respect of the above mentioned transactions, the Company's independent non-executive directors confirmed that the said transactions were carried out or entered into by the Group in the ordinary and usual course of business of the Group; carried out/conducted either (i) on normal commercial terms or (ii) if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no more or less favourable than terms available to/from (as appropriate) independent third parties.

The independent non-executive directors also confirmed that for the year ended 31 March 2003:

- 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 (see (ii) above) was less than the higher of HK\$10,000,000 or 3% of the audited consolidated net tangible assets of the Group for the previous financial year.
- The total 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.
- The total payments for sharing of office premises and sharing of facilities and administrative services by the Group to the KE Singapore Group (see (v) and (vi) above) was less than the higher of HK\$10,000,000 or 3% of the audited consolidated net tangible assets of the Group for the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

28. RELATED PARTY TRANSACTIONS (cont'd)

- (b) During the year and prior to the disposal of brokerage business, 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 2003 amounted to HK\$59,000 (2002: HK\$496,000).

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. They also confirmed that the commission and brokerage income payable by the directors to the Group did not exceed 0.5% of the Group's turnover during the year ended 31 March 2003.

- (c) In addition, during the year, the Company disposed of its brokerage business to a fellow subsidiary for a consideration of HK\$159,473,000, realising a gain on disposal of HK\$187,377,000. Details of this transaction are set out in notes 4 and 24.

29. COMPARATIVE FIGURES

Comparative figures in respect of note 2(a)(i) and (ii) and segment information in note 3 have been reclassified in order to conform with the current year's presentation.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 15 to 47 were approved by the board of directors on 23 May 2003.