

# Notes to the Financial Statements

For the year ended March 31, 2003

## (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 Board considers the ultimate holding company at March 31, 2003 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, securities margin financing, money lending, corporate finance advisory and assets management.

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

The following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants are effective for the first time for the current year's financial statements:

SSAP 1 (Revised)	"Presentation of financial statements"
SSAP 11 (Revised)	"Foreign currency translation"
SSAP 15 (Revised)	"Cash flow statements"
SSAP 34	"Employee benefits"

SSAP 1 (Revised) requires the Group to present a new statement "Consolidated statement of changes in equity". The new statement reconciles movements of the equity from the beginning to the end of a year.

SSAP 15 (Revised) prescribes the revised format of the consolidated cash flow statement in which the cash flows during the year will only be classified by operating, investing and financing activities. Comparative figures have been restated in order to achieve a consistent presentation.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof.

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



# Notes to the

## Financial Statements

For the year ended March 31, 2003

### (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 (the "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.

All significant intra-group transactions and balances, and any unrealised profits arising from intra-group transactions, are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are eliminated unless cost cannot be recovered.

#### **INVESTMENTS IN SUBSIDIARIES**

A subsidiary is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Investment in a subsidiary is included in the company's balance sheet at cost less any impairment loss in value.

#### **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.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (3) Summary of significant accounting policies (continued)

### PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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.

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%

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

### 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.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (3) Summary of significant accounting policies (continued)

### IMPAIRMENT OF ASSETS

At each balance sheet date, an assessment is made of whether there is indication that investments in subsidiaries and securities, plant and equipment, intangible assets and other non-current assets have suffered an impairment loss. If any such 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, placement and 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 rates 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.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (3) Summary of significant accounting policies (continued)

### OPERATING LEASES

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases.

Payments made under operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective leases.

### 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 timing differences, computed using 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.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (3) Summary of significant accounting policies (continued)

### EMPLOYEE BENEFITS

Employee entitlements to annual leave are accrued in the year in which the associated services are rendered by employees of the Group. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

The Group operates a defined contribution mandatory provident fund scheme (the "MPF Scheme") which is available to all employees. Contributions to the MPF Scheme by the Group and its employees are calculated at 5% of the employees' relevant income (capped at HK\$20,000 per month) and are charged to the income statement as incurred. The Group's contributions to the MPF Scheme vest immediately. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

### 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 results of subsidiaries which are denominated in foreign currencies are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars 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 AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. 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 consolidated cash flow statement.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (3) Summary of significant accounting policies (continued)

### 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.

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:

	2003 HK\$'000	2002 HK\$'000
Commission and brokerage income from securities broking	8,632	11,202
Commission and brokerage income from futures broking	1,549	387
Interest income from		
– margin clients	6,215	9,804
– money lending	22,498	16,875
– financial institutions and others	1,701	2,728
Management and handling fees	1,211	1,764
Commission for subscribing new shares	280	94
Corporate finance advisory fees	4,161	2,600
Placement and underwriting commission	1,642	482
Investment management fee	2,901	5,309
	<u>50,790</u>	<u>51,245</u>



# Notes to the Financial Statements

For the year ended March 31, 2003

## (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	Securities margin financing and money lending
Corporate finance	Corporate finance advisory, placing and underwriting
Assets management	Assets management for listed and unlisted companies and high net worth individuals

An analysis of segment information about these businesses for the years ended March 31, 2003 and 2002 is as follows:

	Broking		Financing		Corporate finance		Assets management		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:										
Sales to external customers	11,392	13,354	30,414	29,408	6,083	3,176	2,901	5,307	50,790	51,245
Segment results	3,421	4,912	24,108	22,763	4,150	1,336	492	1,156	32,171	30,167
Net investment loss									(1,867)	(738)
Provision for doubtful debts									(14,246)	-
Bad debts written off									(182)	-
Other income									129	4
Profit before taxation									16,005	29,433
Taxation									(2,882)	(4,845)
Net profit for the year attributable to shareholders									13,123	24,588





# Notes to the Financial Statements

For the year ended March 31, 2003

## (4) Turnover and segment information (continued)

### SEGMENT INFORMATION (continued)

#### (a) Business segments (continued)

	Broking		Financing		Corporate finance		Assets management		Elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>												
Segment assets	41,927	51,351	480,331	409,875	-	-	177	4,227	(5,276)	(24,851)	517,159	440,602
Investments in securities											3,541	24,182
Unallocated corporate assets											87	206
Consolidated total assets											520,787	464,990
<b>Liabilities</b>												
Segment liabilities	17,494	19,867	333,718	298,678	-	-	20	3,256	(5,276)	(24,851)	345,956	296,950
Unallocated corporate liabilities											33,489	32,821
Consolidated total liabilities											379,445	329,771
<b>Other information</b>												
Capital expenditure	204	337									204	337
Depreciation & amortisation	197	810	61	59							258	869
Provision for doubtful debts			14,246	-							14,246	-
Bad debts written off			182	-							182	-

#### (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

Net realised and unrealised holding loss on shares in  
Hong Kong Exchanges and Clearing Limited ("HKEX")  
Realised loss on investment securities, unlisted  
Dividend income from listed investments in HKEX

2003 HK\$'000	2002 HK\$'000
(2,477)	(900)
-	(496)
610	658
<u>(1,867)</u>	<u>(738)</u>



# Notes to the Financial Statements

For the year ended March 31, 2003

## (6) Profit from operations

Profit from operations has been arrived at after charging:

Staff costs, including Directors' remuneration as set out  
in note (8) below

- Provident fund contributions
- Other staff costs

**2003**  
**HK\$'000**

**2002**  
**HK\$'000**

**171**

**200**

**4,823**

**4,215**

**4,994**

**4,415**

Depreciation

**258**

**529**

Amortisation of intangible assets

**340**

**340**

Auditors' remuneration

- Current year

**266**

**299**

- Overprovision in prior year

**–**

**(130)**

Bad debts written off

**182**

**–**

Operating lease rentals in respect of rented premises

**758**

**813**

## (7) Finance costs

Interest on bank loans and overdrafts

**3,195**

**3,468**

Interest on escrow money

**–**

**1,834**

**3,195**

**5,302**

Escrow money represents deposits paid by third parties to the Group in relation to potential investments in certain projects. In current year, such deposits were non-interest bearing while in the last year, the deposits were interest-bearing at normal commercial rates.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (8) Directors' and employees' emoluments

	2003 HK\$'000	2002 HK\$'000
<b>Directors' emoluments:</b>		
<i>Fees:</i>		
Executive Directors	—	—
Independent non-executive Directors	—	200
	<hr/>	<hr/>
	—	200
	<hr/>	<hr/>
<i>Other emoluments of executive Directors:</i>		
Salaries and other benefits	336	686
Provident fund contributions	16	18
	<hr/>	<hr/>
	352	704
	<hr/>	<hr/>
	352	904
	<hr/> <hr/>	<hr/> <hr/>



# Notes to the Financial Statements

For the year ended March 31, 2003

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

The Directors' emoluments were within the following band:

	2003 Number of directors	2002 Number of directors
Nil – HK\$1,000,000	<u>7</u>	<u>7</u>

During the year, no emoluments were paid by the Group to the Directors as an inducement to join the Group or as compensation for loss of office. No Directors have waived any emoluments during the year.

### Employees' emoluments:

The five highest paid individuals did not include any Director of the Company in both years 2003 and 2002. The emoluments of the five highest paid individuals are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,177	1,496
Provident fund contributions	<u>48</u>	<u>35</u>
	<u>1,225</u>	<u>1,531</u>

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

	2003 Number of employees	2002 Number of employees
Nil – HK\$1,000,000	<u>5</u>	<u>5</u>



# Notes to the Financial Statements

For the year ended March 31, 2003

## (9) Taxation

The charge comprises:

*Hong Kong Profits Tax*

Provision for the year

(Overprovision) Underprovision in prior years

**2003**  
**HK\$'000**

**2,893**  
**(11)**

**2,882**

**2002**  
**HK\$'000**

**4,844**  
**1**

**4,845**

Hong Kong Profits Tax is calculated at 16% (2002: 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\$13,123,000 (2002: HK\$24,588,000), a profit of HK\$9,858,000 (2002: HK\$32,866,000) has been dealt with in the financial statements of the Company.

## (11) Dividends

Interim dividend paid of Nil per ordinary share  
(2002: HK1.5 cents per ordinary share  
before bonus issue)

Final dividend proposed of HK0.48 cents  
per ordinary share (2002: HK2.5 cents  
per ordinary share before bonus issue)

**2003**  
**HK\$'000**

—

**5,376**

**5,376**

**2002**  
**HK\$'000**

**4,200**

**7,000**

**11,200**



# Notes to the Financial Statements

For the year ended March 31, 2003

## (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\$13,123,000 (2002: HK\$24,588,000) and the weighted average number of 1,120,000,000 shares (pursuant to a resolution passed in the annual general meeting held on August 23, 2002, there was bonus issue made on the basis of three bonus shares for every one existing ordinary share held by shareholders) (2002: 1,120,000,000 shares after adjusting for the bonus issue in 2002) in issue during the year.

There is no diluted earnings per share for the years ended March 31, 2003 and 2002 presented since the Company has no dilutive potential ordinary shares.

## (13) Plant and equipment

	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>			
At April 1, 2002	2,417	966	3,383
Additions	204	—	204
	<hr/>	<hr/>	<hr/>
At March 31, 2003	2,621	966	3,587
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At April 1, 2002	1,607	687	2,294
Provided for the year	197	61	258
	<hr/>	<hr/>	<hr/>
At March 31, 2003	1,804	748	2,552
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At March 31, 2003	817	218	1,035
	<hr/>	<hr/>	<hr/>
At March 31, 2002	810	279	1,089
	<hr/>	<hr/>	<hr/>



# Notes to the Financial Statements

For the year ended March 31, 2003

## (14) Intangible assets

### Trading rights in the Stock Exchange and the HKFE

	2003 HK\$'000	2002 HK\$'000
<b>Cost</b>		
At the beginning and the end of the year	<u>3,400</u>	<u>3,400</u>
<b>Accumulated amortisation</b>		
At the beginning of the year	340	—
Provided for the year	<u>340</u>	<u>340</u>
At the end of the year	<u>680</u>	<u>340</u>
<b>Net book value</b>		
At the end of the year	<u>2,720</u>	<u>3,060</u>



# Notes to the Financial Statements

For the year ended March 31, 2003

## (15) Investments in subsidiaries

	The Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	<u>10,615</u>	<u>10,615</u>

Details of the Company's subsidiaries at March 31, 2003 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%	Inactive
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





# Notes to the Financial Statements

For the year ended March 31, 2003

## (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 Finance Company Limited	Hong Kong	HK\$2	100%	Money lending
Upbest Financial Holdings Limited	British Virgin Islands	US\$1	100%	Investment holding
Upbest Investment Company Limited	Hong Kong	HK\$20,000,000	100%	Securities 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 places of operation 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.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (16) Investments in securities

### *Other investments*

Equity securities listed in Hong Kong,  
at market value, classified as:

Non-current assets

Current assets

**2003**  
**HK\$'000**

2002  
HK\$'000

**3,490**

24,182

**51**

—

**3,541**

24,182

Certain securities, comprising shares in HKEX, with a carrying amount of HK\$3,490,000 (2002: Nil) have been pledged to a bank for securing general banking facilities granted to the Group.

## (17) Other non-current assets

Hong Kong Securities Clearing Company Limited ("HKSCC")

– Guarantee fund deposit

– Admission fee

Statutory deposit with the Stock Exchange

Statutory deposit with the Securities and Futures Commission

Statutory deposit with the HKFE

Reserve fund contribution to the Stock Exchange Options

Clearing House Limited

Reserve fund contribution to HKFE Clearing Corporation

Limited

**2003**  
**HK\$'000**

2002  
HK\$'000

**126**

156

**100**

100

**202**

200

**2,000**

2,000

**100**

100

**1,300**

1,300

**1,500**

1,500

**5,328**

5,356



# Notes to the Financial Statements

For the year ended March 31, 2003

## (18) Debtors, prepayments and deposits

	2003 HK\$'000	2002 HK\$'000
Amounts receivable arising from the ordinary course of business of dealing in securities and options:		
– Cash clients	11,892	5,908
– The SEHK Options Clearing House Limited	1	1
– HKSCC	33	3,884
Amounts receivable arising from the ordinary course of business of trading in futures contracts:		
– Clearing house	680	430
Amount receivable arising from the ordinary course of business of provision of securities margin financing:		
– Clients, less provision for doubtful debts of HK\$712,000 (2002: Nil)	80,601	83,773
Interest bearing advances, less provision for doubtful debts of HK\$13,534,000 (2002: Nil)	342,166	251,024
Other receivables	360	4,276
Deposits and prepayments	122	198
	<b>435,855</b>	<b>349,494</b>

Margin client receivables of HK\$80,601,000 (2002: HK\$83,773,000) 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\$188,235,000 as at March 31, 2003 (2002: HK\$199,286,000).

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 Board, the ageing analysis does not give additional value in view of the nature of business of securities margin financing and money lending business.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (19) Pledged fixed deposits with bank

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

## (20) Other bank balances and cash

	2003 HK\$'000	2002 HK\$'000
Bank balances		
– General accounts	7,719	19,328
– Trust accounts	670	791
– Segregated accounts	542	319
Cash in hand	4	5
	<u>8,935</u>	<u>20,443</u>

## (21) Bank borrowings

	2003 HK\$'000	2002 HK\$'000
Bank overdrafts, secured	<u>167,372</u>	<u>55,070</u>
The maturity of the above borrowings is as follows:		
On demand or within one year	<u>167,372</u>	<u>55,070</u>

The bank overdrafts were secured by fixed deposits and investments in securities of the Group as set out in note (19) and note (16) respectively, together with the securities of certain securities margin clients. The interest rates of the bank overdrafts ranged from 1% per annum over the interest rate of the pledged fixed deposits to prime lending rate or 1% per annum over the prevailing overnight HIBOR rate, whichever is higher.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (22) Creditors and accrued charges

	2003 HK\$'000	2002 HK\$'000
Amounts payable arising from the ordinary course of business of dealing in securities and options:		
– Cash clients	2,586	6,223
– HKSCC	10,260	–
Amounts payable arising from the ordinary course of business of trading in futures contracts:		
– Clients	1,144	718
Amount payable arising from the ordinary course of business of provision of securities margin financing:		
– Clients	727	3,067
Escrow money received	119,124	146,480
Accruals and other payables	2,231	4,079
	<u>136,072</u>	<u>160,567</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, 2003 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 was unsecured, interest-free and the directors considered that it was not repayable within one year from the balance sheet date. During the year, this amount was early repaid as the Group had sufficient working capital.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (25) Share capital

	Number of Shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised</i>		
At March 31, 2002 and March 31, 2003	<u>3,000,000</u>	<u>30,000</u>
<i>Issued and fully paid</i>		
At March 31, 2001 and March 31, 2002	280,000	2,800
Bonus issue of shares (Note)	<u>840,000</u>	<u>8,400</u>
At March 31, 2003	<u>1,120,000</u>	<u>11,200</u>

Note:

Pursuant to a resolution passed in the annual general meeting held on August 23, 2002, there was bonus issue made on the basis of three bonus shares for every one existing ordinary share held by the shareholders. Accordingly, 840,000,000 bonus shares of HK\$0.01 each were issued and an amount of HK\$8,400,000 standing to the credit of the share premium account of the Company was capitalised.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (26) Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>The Group</b>				
At March 31, 2001	62,889	8,515	40,627	112,031
Net profit for the year	—	—	24,588	24,588
Interim dividend	—	—	(4,200)	(4,200)
Proposed final dividend	—	—	(7,000)	(7,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At March 31, 2002	62,889	8,515	54,015	125,419
Bonus issue of shares	(8,400)	—	—	(8,400)
Net profit for the year	—	—	13,123	13,123
Proposed final dividend	—	—	(5,376)	(5,376)
	<hr/>	<hr/>	<hr/>	<hr/>
At March 31, 2003	<u>54,489</u>	<u>8,515</u>	<u>61,762</u>	<u>124,766</u>



# Notes to the Financial Statements

For the year ended March 31, 2003

## (26) Reserves (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits/ (Accumu- lated losses) HK\$'000	Total HK\$'000
<b>The Company</b>				
At March 31, 2001	62,301	8,515	(28,416)	42,400
Net profit for the year	—	—	32,866	32,866
Interim dividend	—	—	(4,200)	(4,200)
Proposed final dividend	—	—	(7,000)	(7,000)
At March 31, 2002	62,301	8,515	(6,750)	64,066
Bonus issue of shares	(8,400)	—	—	(8,400)
Net profit for the year	—	—	9,858	9,858
Proposed final dividend	—	—	(5,376)	(5,376)
At March 31, 2003	<u>53,901</u>	<u>8,515</u>	<u>(2,268)</u>	<u>60,148</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, 2003

## (27) Related party disclosures

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

Name of related party	Nature of transaction	2003	2002
		HK\$'000	HK\$'000
UBA Investments Limited	Investment management fee (i)	958	1,343
Town Bright Industries Limited	Rental expenses and building management fee (ii)	746	824

Mr. Cheng Kai Ming, Charles, a Director of the Company, has beneficial interests in UBA Investments Limited and Town Bright Industries Limited.

Moreover, during the year, the securities owned by UBA Investments Limited that is kept in a securities margin account of a subsidiary of the Company were pledged for securing general banking facilities granted to that subsidiary.

Notes:

- (i) Investment management fee was charged at 1% and 1.5% of the net asset value of UBA Investments Limited for the years ended March 31, 2003 and 2002 respectively.
- (ii) The rental expenses and building management fee were transacted at the market rate.



# Notes to the Financial Statements

For the year ended March 31, 2003

## (28) 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, 2003 amounted to approximately HK\$99 million (2002: HK\$40 million).

## (29) Operating lease arrangements

*The Company as lessee*

At March 31, 2003, the Group had total future minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

Within one year  
In the second to fifth years inclusive

2003 HK\$'000	2002 HK\$'000
329	820
7	336
<u>336</u>	<u>1,156</u>

