

Notes to the Financial Statements

For the year ended March 31, 2004

(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, 2004 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 Hong Kong Financial Reporting Standards

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by HKSA:

SSAP 12 (Revised)	"Income taxes"
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SSAP 12 (Revised) requires deferred tax assets and liabilities to be provided in full using the liability method, on temporary differences arising between the tax base of an asset or a liability and its carrying amount in the financial statements at any point in time. Deferred tax assets or liabilities arising from temporary differences need to be measured at the tax rates enacted or substantively enacted at the balance sheet date.

Details of the accounting policy are set out in note (3) to the financial statements.

The adoption of the revised SSAP 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, 2004

(3) Summary of significant accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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.

INTEREST IN AN ASSOCIATE

An associate is an enterprise, not being a subsidiary nor a joint venture, in which the Group, directly or indirectly, has a long-term equity interest and over which the Group is in a position to exercise significant influence, including participation in the operating and financial policy decisions.

The consolidated income statement includes the Group's share of the results of an associate for the period, and the consolidated balance sheet includes the Group's share of the net assets of the associate.

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

In the Company's balance sheet, the investment in an associate is stated at cost less provision for impairment losses. The results of an associate is accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

For the year ended March 31, 2004

(3) Summary of significant accounting policies (continued)

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.

PROPERTY, PLANT AND EQUIPMENT

Property, 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 property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the leases
Buildings	4% or over the lease term, whichever is shorter
Furniture, fixtures and equipment	15% – 30%
Motor vehicles	15% – 30%

For depreciation purpose, cost of buildings is deemed to be 50% of the total cost of land and buildings.

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.

Notes to the Financial Statements

For the year ended March 31, 2004

(3) Summary of significant accounting policies (continued)

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.

IMPAIRMENT OF ASSETS

At each balance sheet date, an assessment is made of whether there is any indication that investments in subsidiaries and associates, property, 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.

Notes to the Financial Statements

For the year ended March 31, 2004

(3) Summary of significant accounting policies (continued)

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.

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.

INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Financial Statements

For the year ended March 31, 2004

(3) Summary of significant accounting policies (continued)

INCOME TAX (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Notes to the Financial Statements

For the year ended March 31, 2004

(3) Summary of significant accounting policies (continued)

INCOME TAX (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

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, 2004

(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 administrated 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, 2004

(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, property, plant and equipment, 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 property, plant and equipment.

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:

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Commission and brokerage income from securities broking	16,587	8,632
Commission and brokerage income from futures broking	1,289	1,549
Interest income from		
– margin clients	7,232	6,215
– money lending	30,044	22,498
– financial institutions and others	1,315	1,701
Management and handling fees	1,486	1,211
Commission for subscribing new shares	45	280
Corporate finance advisory fees	1,520	4,161
Placement and underwriting commission	12,234	1,642
Investment management fee	2,433	2,901
	74,185	50,790
	74,185	50,790

Notes to the Financial Statements

For the year ended March 31, 2004

(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, 2004 and 2003 is as follows:

The Group

	Broking		Financing		Corporate finance		Assets management		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:										
Sales to external customers	<u>19,362</u>	<u>11,392</u>	<u>38,591</u>	<u>30,414</u>	<u>13,799</u>	<u>6,083</u>	<u>2,433</u>	<u>2,901</u>	<u>74,185</u>	<u>50,790</u>
Segment results	<u>9,688</u>	<u>3,421</u>	<u>34,193</u>	<u>24,108</u>	<u>12,290</u>	<u>4,150</u>	<u>952</u>	<u>492</u>	<u>57,123</u>	<u>32,171</u>
Net investment income (loss)									2,585	(1,867)
Provision for doubtful debts									(13,644)	(14,246)
Bad debts written off									(61)	(182)
Other income									319	129
Share of results of an associate									119	-
Profit before taxation									46,441	16,005
Taxation									(8,297)	(2,882)
Net profit for the year attributable to shareholders									<u>38,144</u>	<u>13,123</u>

Notes to the Financial Statements

For the year ended March 31, 2004

(4) Turnover and segment information (continued)

SEGMENT INFORMATION (continued)

(a) Business segments (continued)

The Group

	Broking		Financing		Corporate finance		Assets management		Elimination		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Assets												
Segment assets	67,558	41,927	418,983	480,331	-	-	2,091	177	(2,840)	(5,276)	485,792	517,159
Interest in an associate											97	-
Investments in securities											-	3,541
Unallocated corporate assets											161	87
Consolidated total assets											<u>486,050</u>	<u>520,787</u>
Liabilities												
Segment liabilities	29,241	17,494	252,172	333,718	-	-	270	20	(2,840)	(5,276)	278,843	345,956
Interest in an associate											230	-
Unallocated corporate liabilities											32,867	33,489
Consolidated total liabilities											<u>311,940</u>	<u>379,445</u>
Other information												
Capital expenditure	1,079	204									1,079	204
Depreciation and amortisation	189	197	61	61							250	258
Provision for doubtful debts			13,644	14,246							13,644	14,246
Bad debts written off			61	182							61	182

(b) Geographical segment

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

Notes to the Financial Statements

For the year ended March 31, 2004

(5) Net investment income (loss)

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Net realised and unrealised holding gain (loss) on shares in Hong Kong Exchanges and Clearing Limited ("HKEX")	2,405	(2,477)
Dividend income from listed investments in HKEX	180	610
	2,585	(1,867)
	2,585	(1,867)

(6) Profit from operations

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration as set out in note (8) below		
– Provident fund contributions	195	171
– Other staff costs	7,039	4,823
	7,234	4,994
Depreciation	250	258
Amortisation of intangible assets	340	340
Auditors' remuneration		
– Current year	266	266
– Overprovision in prior years	(16)	–
Bad debts written off	61	182
Operating lease rentals in respect of rented premises	820	758
Gain on disposal of property, plant and equipment	(190)	–
	7,234	4,994

Notes to the Financial Statements

For the year ended March 31, 2004

(7) Finance cost

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	3,178	3,195

(8) Directors' and employees' emoluments

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Directors' emoluments:		
<i>Fees:</i>		
Executive directors	–	–
Independent non-executive directors	100	–
	<u>100</u>	<u>–</u>
<i>Other emoluments of executive directors:</i>		
Salaries and other benefits	539	336
Provident fund contributions	15	16
	<u>554</u>	<u>352</u>
	<u>654</u>	<u>352</u>

The directors' emoluments were within the following band:

	The Group	
	2004	2003
	Number of directors	Number of directors
Nil – HK\$1,000,000	7	7

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.

Notes to the Financial Statements

For the year ended March 31, 2004

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

Employees' emoluments:

The five highest paid individuals included one director (2003: Nil) of the Company. The emoluments of the remaining four (2003: five) highest paid individuals are as follows:

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Salaries and other benefits	865	1,177
Provident fund contributions	43	48
	908	1,225
	908	1,225

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

	2004	2003
	Number of employees	Number of employees
Nil – HK\$1,000,000	4	5
	4	5
	4	5

Notes to the Financial Statements

For the year ended March 31, 2004

(9) Taxation

	The Group	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
Group:		
Hong Kong Profits Tax		
Provision for current year	8,275	2,893
Overprovision in prior years	–	(11)
	8,275	2,882
Associate:		
Hong Kong Profits Tax		
Provision for current year	22	–
	8,297	2,882
	8,297	2,882

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profits for the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/04, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended March 31, 2004.

Notes to the Financial Statements

For the year ended March 31, 2004

(9) Taxation (continued)

Reconciliation between tax expense and accounting profit at applicable rates are as follows:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Profit before taxation	46,441	16,005
Tax at the applicable rates	8,127	2,561
Tax effect of non-taxable revenue	(457)	(357)
Tax effect of non-deductible expenses	60	703
Deferred tax liability previously not recognised	(1)	(3)
Tax losses not recognised	591	26
Utilisation of tax losses previously not recognised	(23)	(37)
Overprovision in prior years	-	(11)
Actual tax expense	8,297	2,882

At March 31, 2004 and 2003, no deferred tax asset had been recognised due to the unpredictability of the future profit streams. The major unrecognised deferred assets, calculated at the tax rate of 17.5% (2003: 17.5%), are as follows:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Depreciation allowances in excess of related depreciation	(95)	(93)
Tax losses	776	223
	681	130

(10) Net profit for the year attributable to shareholders

Of the Group's net profit for the year of approximately HK\$38,144,000 (2003: HK\$13,123,000), a profit of HK\$18,630,000 (2003: HK\$9,858,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For the year ended March 31, 2004

(11) Dividends

Final dividend proposed of HK1 cent
(2003: HK0.48 cent) per ordinary share

2004 HK\$'000	2003 HK\$'000
<u>11,200</u>	<u>5,376</u>

(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\$38,144,000 (2003: HK\$13,123,000) and the weighted average number of 1,120,000,000 shares (2003: 1,120,000,000 shares) in issue during the year.

There is no diluted earnings per share for the years ended March 31, 2004 and 2003 presented since the Company has no dilutive potential ordinary shares.

(13) Property, plant and equipment

The Group

	Land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At April 1, 2003	–	2,621	966	3,587
Additions	900	179	–	1,079
Disposals	–	–	(568)	(568)
At March 31, 2004	900	2,800	398	4,098
Accumulated depreciation				
At April 1, 2003	–	1,804	748	2,552
Provided for the year	–	189	61	250
Written back on disposals	–	–	(568)	(568)
At March 31, 2004	–	1,993	241	2,234
Carrying amount				
At March 31, 2004	900	807	157	1,864
At March 31, 2003	–	817	218	1,035

The land and buildings of the Group are held outside Hong Kong under medium-term leases.

Notes to the Financial Statements

For the year ended March 31, 2004

(14) Intangible assets

The Group

	Trading rights in the Stock Exchange and the HKFE	
	2004 HK\$'000	2003 HK\$'000
Cost		
At the beginning and the end of the year	3,400	3,400
Accumulated amortisation		
At the beginning of the year	680	340
Provided for the year	340	340
At the end of the year	1,020	680
Carrying amount		
At the end of the year	2,380	2,720

(15) Investments in subsidiaries

	The Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	10,615	10,615

Notes to the Financial Statements

For the year ended March 31, 2004

(15) Investments in subsidiaries (continued)

Details of the Company's subsidiaries at March 31, 2004 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
King Standard International Limited	British Virgin Islands	US\$1	100%	Property 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%	IT project management
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\$25,000,000	100%	Securities margin financing

Notes to the Financial Statements

For the year ended March 31, 2004

(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 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, except for King Standard International Limited, which held property outside 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.

(16) Interest in an associate

	The Group	
	2004 HK\$'000	2003 HK\$'000
Share of net assets other than goodwill	97	—
Investments in unlisted shares, at cost	—	—

Notes to the Financial Statements

For the year ended March 31, 2004

(16) Interest in an associate (continued)

Details of the Group's associate at March 31, 2004 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Issued and fully paid ordinary share capital	Percentage of equity interest held	Principal activities
Upbest Financial Services Limited	Corporate	Hong Kong	HK\$2	50%	Provision of financial services

(17) Investments in securities

	The Group	
	2004 HK\$'000	2003 HK\$'000
Other investments		
Equity securities listed in Hong Kong, at market value, classified as:		
Non-current assets	–	3,490
Current assets	–	51
	<hr/>	<hr/>
	–	3,541
	<hr/> <hr/>	<hr/> <hr/>

As at March 31, 2003, certain securities, comprising shares in HKEX, with a carrying amount of HK\$3,490,000 have been pledged to a bank for securing general banking facilities granted to the Group.

Notes to the Financial Statements

For the year ended March 31, 2004

(18) Debtors, prepayments and deposits

	The Group	
	2004 HK\$'000	2003 HK\$'000
Amounts receivable arising from the ordinary course of business of dealing in securities and options:		
– Cash clients	14,507	11,892
– The SEHK Options Clearing House Limited	2	1
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	–	33
Amounts receivable arising from the ordinary course of business of dealing in futures contracts:		
– Clearing house	10,186	680
Amounts receivable arising from the ordinary course of business of provision of securities margin financing:		
– Clients, less provision for doubtful debts of HK\$9,356,000 (2003: HK\$712,000)	74,345	80,601
Interest bearing advances, less provision for doubtful debts of HK\$18,534,000 (2003: HK\$13,534,000)	268,768	342,166
Other receivables	15,271	360
Deposits and prepayments	154	122
	<u>383,233</u>	<u>435,855</u>
Portion classified as non-current assets	(480)	–
	<u>382,753</u>	<u>435,855</u>

Margin client receivables of HK\$74,345,000 (2003: HK\$80,601,000) 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\$234,389,000 as at March 31, 2004 (2003: HK\$188,235,000).

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, 2004

(19) Other non-current assets

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong Securities Clearing Company Limited		
– Guarantee fund deposit	126	126
– Admission fee	100	100
Statutory deposit with the Stock Exchange	202	202
Statutory deposit with the Securities and Futures Commission	2,000	2,000
Statutory deposit with the HKFE	–	100
Reserve fund contribution to the Stock Exchange Options Clearing House Limited	1,300	1,300
Reserve fund contribution to HKFE Clearing Corporation Limited	3,318	1,500
	<u>7,046</u>	<u>5,328</u>

(20) Pledged fixed deposits with bank

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

(21) Other bank balances and cash

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Bank balances		
– General accounts	23,881	7,719
– Trust accounts	2,532	670
– Segregated accounts	1,504	542
Cash in hand	12	4
	<u>27,929</u>	<u>8,935</u>

Notes to the Financial Statements

For the year ended March 31, 2004

(22) Bank borrowings

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts, secured	<u>156,191</u>	<u>167,372</u>
The maturity of the above borrowings is as follows:		
On demand or within one year	<u>156,191</u>	<u>167,372</u>

The bank overdrafts were secured by fixed deposits and investments in securities of the Group as set out in note (20) and note (17) 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.

(23) Creditors and accrued charges

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable arising from the ordinary course of business of dealing in securities and options:		
– Cash clients	5,221	2,586
– HKSCC	4,036	10,260
Amounts payable arising from the ordinary course of business of dealing in futures contracts:		
– Clients	11,680	1,144
Amounts payable arising from the ordinary course of business of provision of securities margin financing:		
– Clients	3,181	727
Escrow money received	–	119,124
Accruals and other payables	<u>3,589</u>	<u>2,231</u>
	<u>27,707</u>	<u>136,072</u>

Notes to the Financial Statements

For the year ended March 31, 2004

(23) Creditors and accrued charges (continued)

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.

(24) Amounts due to related parties

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Amounts due to related parties:		
– Ultimate holding company	4,033	–
– An associate	230	–
– Related companies	71,360	38,710
– A director	45,797	37,079
– A subsidiary's director	538	–
	<hr/> 121,958 <hr/>	<hr/> 75,789 <hr/>

	The Company	
	2004	2003
	HK\$'000	HK\$'000
Amount due to a director	<hr/> 7 <hr/>	<hr/> 7 <hr/>

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

Notes to the Financial Statements

For the year ended March 31, 2004

(25) Share capital

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised</i>		
At March 31, 2003 and March 31, 2004	<u>3,000,000</u>	<u>30,000</u>
<i>Issued and fully paid</i>		
At March 31, 2003 and March 31, 2004	<u>1,120,000</u>	<u>11,200</u>

Notes to the Financial Statements

For the year ended March 31, 2004

(26) Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
The Group				
At March 31, 2002	62,889	8,515	54,015	125,419
Bonus issue of shares (Note)	(8,400)	–	–	(8,400)
Net profit for the year	–	–	13,123	13,123
Proposed final dividend	–	–	(5,376)	(5,376)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At March 31, 2003	54,489	8,515	61,762	124,766
Net profit for the year	–	–	38,144	38,144
Proposed final dividend	–	–	(11,200)	(11,200)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At March 31, 2004	<u>54,489</u>	<u>8,515</u>	<u>88,706</u>	<u>151,710</u>
The Company				
At March 31, 2002	62,301	8,515	(6,750)	64,066
Bonus issue of shares (Note)	(8,400)	–	–	(8,400)
Net profit for the year	–	–	9,858	9,858
Proposed final dividend	–	–	(5,376)	(5,376)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At March 31, 2003	53,901	8,515	(2,268)	60,148
Net profit for the year	–	–	18,630	18,630
Proposed final dividend	–	–	(11,200)	(11,200)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At March 31, 2004	<u>53,901</u>	<u>8,515</u>	<u>5,162</u>	<u>67,578</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.

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, 2004

(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	2004	2003
		HK\$'000	HK\$'000
UBA Investments Limited	Investment management fee (i)	1,472	958
Town Bright Industries Limited	Rental expenses and building management fee (ii)	813	746
		<u>2,285</u>	<u>1,704</u>

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 1.5% and 1% of the net asset value of UBA Investments Limited for the years ended March 31, 2004 and 2003 respectively.
- (ii) The rental expenses and building management fee were transacted at the market rate.

(28) Contingent liabilities

The Company has given guarantees to bank in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at March 31, 2004 amounted to approximately HK\$93 million (2003: HK\$99 million).

(29) Operating lease arrangements

The Group as lessee

At March 31, 2004, the Group had total future minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	2004	2003
	HK\$'000	HK\$'000
Within one year	252	329
In the second to fifth years inclusive	—	7
	<u>252</u>	<u>336</u>