

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. CHEUNG Yan Lung CBE, OStJ, JP (*Chairman*)
Mr. Haywood CHEUNG (*Managing Director*)
Mr. Felipe TAN (*Deputy Managing Director*)
Mr. SO Pak Kwai
Mr. SIT Chun Sze

Independent Non-Executive Directors

Mr. CHIU Pak Yue, Leo
Mr. CHAN Ka Ling, Edmond

COMPANY SECRETARY

Ms. KO Yuen Kwan

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

3rd Floor
Cameron Commercial Centre
468 Hennessy Road
Causeway Bay
Hong Kong

RESIDENT REPRESENTATIVE

Codan Services Limited
Clarendon House
Church Street
Hamilton HM11
Bermuda

PRINCIPAL BANKERS

Bank of Communications, Hong Kong Branch
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of
China (Asia) limited
Wing Lung Bank Limited

SOLICITORS

Chiu & Partners
Richards Butler

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong



INTERIM RESULTS 2002/2003

The Board of Directors of Simsen International Corporation Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2002 together with the comparative figures are as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	For the six months ended 31 October	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	2	60,966	158,627
Cost of sales		(48,648)	(134,462)
Gross profit		12,318	24,165
Other revenue		3,901	17,854
Selling and distribution costs		(1,068)	(1,453)
Administrative expenses		(19,612)	(35,174)
Impairment loss on intangible assets		–	(48,352)
Impairment loss on investments in securities		–	(20,196)
Impairment loss on goodwill reserve		–	(304,506)
Other operating expenses		(9,084)	(6,884)
Loss from operating activities	3	(13,545)	(374,546)
Finance costs	4	(5,970)	(8,068)
Share of results of:			
Jointly-controlled entities		3,032	3,018
Associates		(6,783)	(5,617)
Loss before tax		(23,266)	(385,213)
Tax	5	(361)	(252)
Loss before minority interests		(23,627)	(385,465)
Minority interests		(135)	48
Loss attributable to shareholders		(23,762)	(385,417)
Loss per share	6		
– Basic		(8.37) cents	(169.63) cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		54,788	61,670
Investment properties		148,570	148,570
Interests in jointly-controlled entities		26,554	26,804
Interests in associates		8,110	13,560
Intangible assets		48,881	52,156
Investments in securities	7	19,727	19,727
Other long term assets		2,950	3,100
		309,580	325,587
CURRENT ASSETS			
Investments in securities	7	3,561	37,174
Inventories		7,539	8,289
Trade receivables	8	51,976	36,281
Prepayments, deposits and other receivables		12,894	36,234
Gold on hand		129	104
Bank trust account balances		6,645	6,289
Pledged bank deposits		6,858	2,659
Cash and bank balances		12,620	11,091
		102,222	138,121



CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	9	40,311	57,218
Tax payable		11,625	14,360
Other payables and accrued liabilities		20,271	35,543
Due to related companies		1,787	1,728
Interest-bearing bank loans and other borrowings		50,006	57,850
		124,000	166,699
NET CURRENT LIABILITIES			
		(21,778)	(28,578)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		287,802	297,009
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other loans		127,643	141,062
2% convertible notes due 2004	10c	8,000	–
Deferred tax		20	20
Loan from a related company		11,921	11,845
Loans from directors		–	10,777
		147,584	163,704
MINORITY INTERESTS			
		159	–
		140,059	133,305
CAPITAL AND RESERVES			
Share capital	10	4,126	2,726
Reserves		135,933	130,579
		140,059	133,305

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31 October	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	(20,121)	24,283
Net cash inflow/(outflow) from investing activities	28,656	(8,165)
Net cash outflow before financing activities	(5,402)	(12,482)
Increase in cash and cash equivalents	3,133	3,636
Cash and cash equivalents at beginning of period	(6,406)	(27,572)
Cash and cash equivalents at end of period	(3,273)	(23,936)
Analysis of balances of cash and cash equivalents		
Cash and bank balances	12,620	5,470
Bank overdrafts, secured	(15,893)	(29,406)
	(3,273)	(23,936)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Goodwill reserve	Capital reserve	General reserve	Currency translation reserve	Non-trading investment revaluation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2002	2,726	225,494	-	4,176	722	(5,478)	53	(94,388)	133,305
Private placement	1,400	29,312	-	-	-	-	-	-	30,712
Exchange realignment	-	-	-	-	-	(183)	-	-	(183)
Movement in fair value	-	-	-	-	-	-	(13)	-	(13)
Net loss for the period	-	-	-	-	-	-	-	(23,762)	(23,762)
At 31 October 2002	4,126	254,806	-	4,176	722	(5,661)	40	(118,150)	140,059
At 1 May 2001	227,216	1,099,997	(304,506)	4,176	120	(3,142)	5,372	(692,950)	336,283
Arising on investment in an associate	-	-	-	9,462	-	-	-	-	9,462
Exchange realignment	-	-	-	-	-	(850)	-	-	(850)
Movement in fair value	-	-	-	-	-	-	(11,290)	-	(11,290)
Release on disposals	-	-	-	-	-	-	(9,151)	-	(9,151)
Transfer to general reserve	-	-	-	-	251	-	-	(251)	-
Impairment loss on goodwill	-	-	304,506	-	-	-	-	-	304,506
Net loss for the period	-	-	-	-	-	-	-	(385,417)	(385,417)
At 31 October 2001	227,216	1,099,997	-	13,638	371	(3,992)	(15,069)	(1,078,618)	243,543

NOTES TO INTERIM FINANCIAL STATEMENTS

1. *Basis of preparation and accounting policies*

These interim financial statements are unaudited, but have been reviewed by the Company's Audit Committee. The unaudited interim financial statements have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and in compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The basis of preparation and accounting policies adopted in preparing these interim financial statements are the same as those adopted in preparing the Company's annual financial statements for the year ended 30 April 2002, except that the Group has changed certain of its accounting policies following the adoption of the following new or revised SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The adoption of the above new and revised SSAPs has no material effect on the Group's results and net asset value other than presentational changes. Certain comparative figures have been reclassified to conform with the current period's presentation.

2. *Segmental information*

In compliance with SSAP 26, 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 products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and 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:

- the securities segment engages in bullion, securities and futures contracts broking and trading business, and margin financing;
- the shipment sales segment engages in shipment sales of metals, metal scraps and others, and mining operations in Mainland China;
- the in-warehouse metals sales segment engages in in-warehouse metals sales;
- the corporate and other segment comprises the holding of investment properties and loan financing, together with corporate income and expenses items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



2. Segmental information (continued)

(a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments.

(Denominated in HK\$'000)

	Securities		Shipment sales		In-warehouse metals sales		Corporate and Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Revenue:										
Sales to external customers	1,949	17,354	55,146	41,093	-	95,404	3,871	4,776	60,966	158,627
Other revenue and gains	247	15,158	-	1,568	-	-	978	1,128	1,225	17,854
Total revenue	2,196	32,512	55,146	42,661	-	95,404	4,849	5,904	62,191	176,481
Segment results	(11,635)	(189,816)	4,363	(45,699)	(157)	2,198	(9,240)	(141,788)	(16,669)	(375,105)
Interest, dividend income and unallocated revenue									3,124	559
Unallocated expenses									-	-
Loss from operating activities									(13,545)	(374,546)
Finance costs									(5,971)	(8,068)
Share of profits and losses of:										
- jointly-controlled entities									3,032	3,018
- associates									(6,782)	(5,617)
Loss before tax									(23,266)	(385,213)
Tax									(361)	(252)
Loss before minority interests									(23,627)	(385,465)
Minority interests									(135)	48
Net loss attributable to shareholders									(23,762)	(385,417)

(b) Geographical segments

The following table presents revenue and profit/(loss) for the Group's geographical segments.

(Denominated in HK\$'000)

	Mainland China		Hong Kong		United Kingdom		Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Segment revenue:										
Sales to external customers	17,105	10,596	37,592	39,712	-	95,404	6,269	12,915	60,966	158,627
Segment results	2,516	(80,902)	(13,367)	(291,913)	(157)	1,822	(5,661)	(4,112)	(16,669)	(375,105)

3. *Loss from Operating Activities*

The Group's loss from operating activities is arrived at after charging/(crediting):

	For the six months ended 31 October	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation charged	775	1,110
Depreciation charged	2,173	3,333
Cost of inventories sold	48,648	134,462
Loss on disposal of fixed assets	1,233	-
Unrealised holding (profit)/loss on trading investments	7,051	(1,583)
Profit on disposal of non-trading investments	-	(13,906)
(Profit)/loss on disposal of trading investments	-	(2,103)
Gain on partial disposal of a subsidiary	(350)	-
Staff costs	8,915	16,574
Net rental income	(3,927)	(4,430)
Dividend income from listed investments	4	(399)
Write back of provision for a legal claim	-	(7,000)
Provision for loss on other long term assets	-	5,715
Provision for doubtful debts	281	8,071

4. *Finance costs*

	For the six months ended 31 October	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	5,970	8,068

5. *Taxation*

	For the six months ended 31 October	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	-	-
Overprovision in prior period	-	(221)
Share of tax attributable to associates	115	-
Share of tax attributable to jointly-controlled entities	246	473
Tax charge for the period	361	252

No provision for Hong Kong profits tax for both periods has been made as the Group had no assessable profits arising in Hong Kong.

No provision for foreign taxes has been made since no assessable profits have been generated by the Group's overseas subsidiaries during both periods.



5. *Taxation (continued)*

No provision for deferred tax asset in respect of unutilised tax losses carried forward, which are available to set off against future assessable profit, has been recognised as it is uncertain that these tax losses will be utilized in the foreseeable future.

6. *Loss per share*

(a) The basic loss per share is calculated based on the unaudited consolidated net loss attributable to shareholders for the period of HK\$23,762,000 (2001: loss of HK\$385,417,000) and on weighted average of 283,979,000 ordinary shares in issue (2001: weighted average of 227,216,000 ordinary shares, adjusted to reflect the ten-to-one share consolidation during the period). The loss per share for the period ended 31 October 2001 has been adjusted accordingly.

(b) Diluted earnings/(loss) per share for the periods ended 31 October 2002 and 2001 are not shown as the potential ordinary shares were anti-dilutive.

7. *Investments in securities*

	At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
Non-trading investments:		
Listed equity investment in Hong Kong, at market value	–	63
Unlisted equity investment in Hong Kong, at fair value	485	485
Unlisted equity investment outside Hong Kong, at fair value	23,979	20,164
Less: Provision for impairment	(4,737)	(922)
	19,242	19,242
	19,727	19,790
Less: Portion classified as current assets	–	(63)
Long term portion	19,727	19,727
Trading investments, at market value:		
Listed equity investments in Hong Kong	3,561	10,562
Unlisted equity investments outside Hong Kong	–	26,549
	3,561	37,111
Investment in securities classified as current assets:		
Non-trading investments	–	63
Trading investments	3,561	37,111
	3,561	37,174

8. Trade receivables

The Group has a monitoring system on credit control and it normally trades with its customers under the following credit terms:

- (a) cash before or upon delivery;
- (b) letter of credit at sight or usance;
- (c) open credit of 30-90 days.

The aged analysis of trade receivables is as follows:

	At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
0 – 30 days	43,787	31,130
31 – 60 days	4,337	904
61 – 90 days	103	100
Over 90 days	3,749	4,147
	<hr/> 51,976	<hr/> 36,281

9. Trade payables

The aged analysis of trade payables is as follows:

	At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
0 – 30 days	38,479	51,600
31 – 60 days	–	1,952
61 – 90 days	2	422
Over 90 days	1,830	3,244
	<hr/> 40,311	<hr/> 57,218



10. Share capital

(a) Shares

	At 31 October 2002 (Unaudited) HK\$	At 30 April 2002 (Audited) HK\$
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	500,000,000	500,000,000
Issued and fully paid:		
412,566,000 ordinary shares of HK\$0.01 each	4,125,660	2,725,660

(b) Share options

At the Company's special general meeting held on 4 March 2002, a new share option scheme (the "New Share Option Scheme") was adopted by the Company. The New Share Option Scheme became effective on 4 March 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Since its adoption, no option has been granted under the New Share Option Scheme.

The share option scheme adopted in 1994 (the "Previous Share Option Scheme") was terminated at the Company's special general meeting held on 4 March 2002. However, the provisions of the Previous Share Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of any outstanding share options granted thereunder prior to such termination.

During the six months ended 31 October 2002, no option was exercised, cancelled, lapsed or granted under the New Share Option Scheme or the Previous Share Option Scheme.

As at 1 May 2002 and 31 October 2002, the following share options granted under the Previous Share Option Scheme were outstanding:

Name or category of participant	Number of share options outstanding	Date of grant of share options	Exercise price of share options (HK\$)	Exercise period of share options outstanding
Haywood Cheung	2,500,000	2 March 1998	2.8	2 September 1998 – 1 March 2008
Felipe Tan	500,000	20 January 1997	8.0	20 July 1997 – 19 January 2007
	1,750,000	2 March 1998	2.8	2 September 1998 – 1 March 2008
So Pak Kwai	300,000	20 January 1997	8.0	20 July 1997 – 19 January 2007
Directors in aggregate	4,780,000			
Other employees in aggregate	500,000	20 January 1997	8.0	20 July 1997 – 19 January 2007
	5,750,000	2 March 1998	2.8	2 September 1998 – 1 March 2008
	<u>10,580,000</u>			

10. Share capital (continued)

(b) Share options (continued)

The exercise in full of such share options would, under the present capital structure, result in the issue of 10,580,000 additional ordinary shares for a total consideration of HK\$32,640,000 before related expenses.

The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

No theoretical value of share options is disclosed as no share options were granted during the period under review.

The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(c) Convertible notes

As at 31 October 2002, the 2% convertible note due 2004 in the principal amount of HK\$8,000,000 issued by the Company on 16 October 2002 was outstanding. Such note is convertible into new shares of the Company. Assuming the issue price at HK\$0.20 per share, the conversion in full of such note would, under the present capital structure of the Company, result in the issue of 40,000,000 additional shares.

11. Contingent liabilities

At 31 October 2002, there were contingent liabilities not provided for in the condensed financial statements as follows:

	At 31 October 2002 (Unaudited) HK\$'000	At 30 April 2002 (Audited) HK\$'000
Guarantee for banking facilities granted to subsidiaries	169,330	202,008

12. Connected transactions

During the period, the Group had the following connected transactions with Lee Fung Hong (Cheung's) Forex Dealers Limited, a company in which Mr. Haywood Cheung, a director of the Company, is a shareholder:

	For the six months ended 31 October	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Rental income received	815	295
Rental expenses paid	61	107

The monthly rental was calculated by reference to open market rates.



13. Related party transactions

- (a) In addition to the connected transactions as set out in note 12 and other inter-group transactions, the Group had the following material transactions with related parties during the period:

	Notes	For the six months ended 31 October	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Loan interest paid to a related company	(i)	76	–
Management fee paid to a related company	(ii)	117	115
Management fee received from:	(ii)		
– a jointly-controlled entity		140	140
– associates		386	300
– a related company		202	202
Administration fee paid to a related company	(ii)	85	–
Rental income received from a related company	(iii)	–	875
Rental expense paid to a related company	(iii)	329	409
Promotion services fee paid to a related company	(iv)	60	–
Services fees paid to related companies	(iv)	621	–
Purchases of goods from a jointly-controlled entity	(v)	9,815	19,890

- (i) The interest paid to a related company arose from loans from a related company which is unsecured, bears interest at the London Interbank Offered Rate plus 2 percent per annum and repayable beyond one year.
- (ii) The management fees paid and received and administration fee paid were based on actual cost incurred for management services provided.
- (iii) The monthly rental was calculated by reference to open market rates.
- (iv) The services fees were calculated by reference to open market rates.
- (v) The purchases were made according to terms and conditions comparable to those offered to other customers of the jointly-controlled entity.
- (b) Mr. Haywood Cheung, a director of the Company, has guaranteed banking facilities granted to a subsidiary of the Company totalling HK\$39,600,000 (30 April 2002: HK\$39,600,000). As at 31 October 2002, the banking facilities granted to a subsidiary of the Company were utilised to the extent of approximately HK\$649,000 (30 April 2002: HK\$6,385,000).
- (c) Cheung's Enterprise Holdings Limited, in which Mr. Haywood Cheung is the controlling shareholder, has provided a corporate guarantee and undertakings in relation to its shareholding in a corporate controlling shareholder of the Company for banking facilities granted to a subsidiary of the Company totalling HK\$154,086,000 as at 31 October 2002 (30 April 2002: HK\$173,875,000).

14. Post balance sheet events

Subsequent to the balance sheet date, the Company entered into a conditional subscription agreement on 12 December 2002 with Industrial and Commercial Bank of China (Asia) Limited in relation to the issue of 4.25% Convertible Bonds due 2006 in an aggregate principal amount of HK\$150,000,000. The issue of the 4.25% Convertible Bonds due 2006 was approved by the shareholders of the Company at the special general meeting held on 16 January 2003 and was completed on 20 January 2003.

Details of the post balance sheet events have been included in an announcement of the Company dated 12 December 2002.

15. Approval of the interim financial statements

These interim financial statements were approved by the Board of Directors on 27 January 2003.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group posted a net loss of about HK\$23.8 million for the period ended 31 October 2002. Turnover of the Group for the period under review was about HK\$61 million, a decline of about 62% from the same period last year.

Financial Services

Securities trading in the local Exchange remained sluggish for the period under review. Involatility of the market coupled with a deflating economy and shrinking corporate profit and capital spending kept potential investors away. Moreover, the penny stock fiasco that took place in July last year soured market sentiment further.

The traditional and main clientele of the Group are retail investors. Their confidence in the local securities market was seriously damaged by the penny stock fiasco, and the Group's securities broking operation found it hard to rectify the damage caused. Geopolitical threats, deflation, and underlying worries about Hong Kong economic prospects continued to exert pressures on the market at large, causing more and more gun shy investors to shift their funds from equity market to safe havens like bank accounts, guaranteed funds and gold. Day traders and other speculators who focus on penny stocks almost ceased trading overnight. Retail investors have also begun to trade less frequently with smaller order size, and tended to hold on to their share portfolios for a longer period of time. Consequently, average daily turnover of mainland enterprise stocks and non-HSI stocks witnessed a steep plunge of 38.2% and 55.7% respectively between the second quarter and the third quarter of 2002. Inevitably, commission income of the division suffered.

Such hostile environment and the then impending abolition of the minimum commission regime left the division with no alternative but to make a cautious retreat from a marketing perspective. By downsizing its whole operation, the division managed to reduce its overhead by over 60% with a more efficient work force and a smaller branch network in the market. Online trading, once the most cherished and innovative trading tool in the industry during the high tech bubble between 1999 and 2000 was no longer in high demand. Containing our expenses in relation to this trading platform also helped the division to secure more savings from this market segment.

With respect to credit control, the division showed a marked improvement from its experience last year. For the period under review, the division only had to make a small provision to cover its doubtful debt.

To diversify its income stream, the division marketed and promoted its bullion trading business to its securities broking customers. Focus was put on the sector of customers who are less risk-averse. The bullion market has come to live again with gold price managed to shoot up 25% between August 1999 and June 2002 and breaks out from the "secular bear market" after the 20-year period.

BUSINESS REVIEW *(continued)*

Financial Services *(continued)*

Revenue from bullion trading for the period under reviewed increased 19% when compared to that of the same period ended 31 October 2001. More important is that the net profit revealed a hefty rise of over 100%, which confirmed that the Board has made a wise decision in shifting the Group's investment focus to bullion trading since the mid of 2001.

Base Metals

For the period under review, Dexin Aluminium Smelter, a jointly-controlled entity of the Company, despite a reduced metal price had maintained its cash growth and had fully repaid its shareholder's loan due to the Group. The Nickel mining section has come to a stage of stable net cash inflow and has gone ahead to further develop its capacity by entering into an engineering contract to build a 700 metres mining shaft which will come on stream by 2005. While having had a little impact on the overall contribution to the Group, the base metals section performed well during the period under review. The silver business, however, faced a fundamental market change: instead of being a surplus country, China has become a supply/demand balanced country and this has reduced the opportunity for the Group's export business. Such change has brought a reduction to the Group's turnover, but the products' domestic sales have maintained its profitability. In overall, the metal's business, during period under review has provided net cash inflow for the Group.

PROSPECT

Financial Services

Dogged by economic downturn, government budget deficit, low interest rate, deflation and a possible global economic recession, the Board is of the view that the local stock market will remain soft in the first and second quarter of 2003. As the SAR government is almost certain to switch its economic policy from a "pro-growth" one to a belt-tightening budget in the forthcoming financial year, it is more than probable that consumption power of the local economy will be weakened further. Moreover, the abolition of the present minimum broker commission policy by HKEx to be implemented in the coming April, and the proposed extension of trading hours are likely to reduce the profit margins of securities brokers. Furthermore, external factors like US economy, and the threats of war and terrorism is very likely to impact the performance of Wall Street, and implemented by extension, the Hong Kong stock market as well. The challenges for the local securities industry remain at a very high level.

In face of these difficulties, the Board expects that the bearish sentiment will continue to prevail in the local equity market in the coming year. The Group's financial services division will strike to keep a tight budget to address these challenges. More resources will be allocated to bullion trading to strengthen its operations and client base. By offering alternate investment channels to customers in the securities trading sector who are seeking alternate sources of returns in the bullion market, the Group is aiming to generate revenue from this undertaking and, ultimately to reduce and possibly offset the probable operating losses from its stock brokerage business.



PROSPECT (continued)

Base Metals

In the coming year, the Aluminium Smelter will face some uncertainties due to China's extraordinary increase in its domestic aluminium production and the requirement for the Group's smelter to convert from sodberg technology to pre-bake technology by 2005. The Group has not decided as yet on the technical conversion but has been working on detailed market analysis as to the overall supply and demand picture in China prior to decision on the reform.

Nickel mining is expected to bring profit for the year 2003 as its first stage of capacity increase will start to contribute to the results of operation as of March 2003 but its second stage of capacity increase will only contribute by year 2005. Base metals brokerage operation is expected to continue its upward profitability trend.

Silver business, though facing a fundamental market change, expect to form a new opportunity arising from the opening up of the domestic gold business. The Group is exploring different ways of positioning itself in the precious metals business.

LIQUIDITY AND FINANCIAL RESOURCES

As a result of withdrawal of an overdraft facility granted to the Group by a bank during the period under review as disclosed in the Annual Report 2001/2002, the Group found itself operating in a tight financial environment, which, nevertheless, was slightly improved as compared to 30 April 2002. As at 31 October 2002, the current ratio of the Group was 82% compared to 83% at 30 April 2002 with net current liabilities reduced from about HK\$29 million at 30 April 2002 to about HK\$22 million at 31 October 2002. The gearing ratio, which is derived by dividing the aggregate amount of bank borrowings, convertible bonds and other interest bearing loan by the amount of shareholders' equity, was reduced from 148% at 30 April 2002 to 131% at 31 October 2002. This improvement was mainly contributed by placement of shares and issue of a convertible note in October 2002.

Throughout the period under review, management has put a substantial effort in seeking new funding to strengthen its capital base and at the same time negotiated with one of its principal bankers to restructure its banking facility. In October 2002, the Group successfully raised HK\$31 million and HK\$8 million respectively by means of private placements of new shares of the Company and the issue of a 2% convertible note due 2004. Subsequent to the balance sheet date, the Group's liquidity position was further improved by the issue, on 20 January 2003, of HK\$150 million 4.25% convertible bonds due 2006. The net proceeds were used to repay a mortgage loan that had previously imposed heavy financial pressure to the Group in fulfilling the monthly commitment of the loan. By having effectively converted the mortgage loan into 3 year convertible bonds, the management can now concentrate their effort in looking towards exploring income generating activities, which the Board will approach in a conservative manner.

CURRENCY STRUCTURE

The Group had limited exposure to foreign exchange fluctuations as most of the transactions, including borrowings, were conducted in United States dollars, Hong Kong dollars or Renminbi. The exchange rates of these currencies were relatively stable for the period. Hence, there is no significant exchange risk.

CHARGES ON GROUP ASSETS

As at 31 October 2002 the Group's total bank borrowings amounted to HK\$173,350,000 (30 April 2002: HK\$197,912,000), which were secured by the Group's bank deposits, investment properties, leasehold land and buildings and listed investments of margin clients with the margin clients' consent.

EMPLOYEE AND REMUNERATION POLICY

As at 31 October 2002, the Group employed a total of approximately 80 employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. When formulating staff remuneration and benefit policies, primary considerations are given to their performance and the prevailing salary levels in the market. The benefits provided to the employees by the Group include training, provident funds and medical coverage. Through the share option scheme established for the senior personnel, it is intended to integrate their responsibilities, authority and benefits.

CONTINGENT LIABILITIES

At 31 October 2002, the Group had contingent liabilities in respect of guarantees given to bank for facilities of subsidiaries amounting to approximately HK\$169,330,000.



OTHER INFORMATION

INTERIM DIVIDEND

The Directors do not intend to declare any interim dividend for the six months ended 31 October 2002 (2001: Nil).

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 October 2002, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Directors	Notes	Number of issued ordinary shares of HK\$0.10 each in the Company			Approximate % of shareholding
		Personal interests	Corporate interests	Total	
Mr. Cheung Yan Lung	(a)	–	4,000,000	4,000,000	0.97%
Mr. Haywood Cheung	(b)	–	77,748,090	77,748,090	18.85%
Mr. Felipe Tan	(c)	1,008,600	2,900,000	3,908,600	0.95%
Mr. So Pak Kwai		10,000	–	10,000	0.00%
Mr. Chan Ka Ling, Edmond	(d)	–	50,000	50,000	0.01%

Notes:

- (a) The shares under "Corporate interests" were held by Benton Shares Holding Limited, a company 99 percent owned by Mr. Cheung Yan Lung.
- (b) The shares under "Corporate interests" comprised:
 - (i) 30,418,000 Shares held by Haywood Shares Holding Limited, which is 99.99% owned by Mr. Haywood Cheung;
 - (ii) 34,530,090 Shares held by Peakhurst Limited, in which Mr. Haywood Cheung has an approximate 48.53% interest held through Cheung's Enterprise Holdings Limited, a company 75% owned by Mr. Haywood Cheung; and
 - (iii) 12,800,000 Shares held by iWin Limited, which is 75% owned by Mr. Haywood Cheung.
- (c) The shares under "Corporate interests" were owned by Mr. Felipe Tan through his personal investment company, Join Rich Investments Limited.
- (d) The shares under "Corporate interests" were owned by Mr. Chan Ka Ling, Edmond through his personal investment company, E-Source Holdings Limited.

Save as disclosed above, none of the directors or their associates had any beneficial interests in the issued share capital of the Company or any of its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the terms and conditions of the Company's employee share option scheme approved at the special general meeting held on 27 January 1994, the directors were granted options to subscribe for the Company's ordinary shares of HK\$0.10 each. Details of the share options granted to the directors of the Company remaining outstanding at 31 October 2002 are set out in note 10(b) to the interim financial statements as to details of the share options.

No share option was granted to or exercised by the Directors during the period.

Save as disclosed above, none of the directors or their respective spouses or children under 18 years of age were granted any rights to subscribe for the share capital of the Company, and there was no exercise of any such rights as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

Pursuant to Section 16(1) of the SDI Ordinance, the Company has been notified of the following registered interests of 10 percent or more in the issued share capital of the Company as at 31 October 2002:

Name of shareholder	Number of ordinary shares held	Approximate % of shareholding
Haywood Cheung (<i>Note a</i>)	77,748,090	18.85%
立億投資股份有限公司	60,000,000	14.54%
Helix Technology Inc. (<i>Note b</i>)	60,000,000	14.54%

Note a: Mr. Haywood Cheung is deemed, by virtue of Section 8 of the SDI Ordinance, to be interested in the following Shares:

- (i) 30,418,000 Shares held by Haywood Shares Holding Limited, which is 99.99% owned by Mr. Haywood Cheung;
- (ii) 34,530,090 Shares held by Peakhurst Limited, in which Mr. Haywood Cheung has an approximate 48.53% interest held through Cheung's Enterprise Holdings Limited, a company 75% owned by Mr. Haywood Cheung; and
- (iii) 12,800,000 Shares held by iWin Limited, which is 75% owned by Mr. Haywood Cheung.

Note b: Helix Technology Inc. is deemed to have interest in the 60,000,000 shares held by 立億投資股份有限公司 by virtue of Section 8 of the SDI Ordinance.

Save as disclosed above, no persons other than the directors of the Company whose interests are set out above had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

The Company has not redeemed any of its securities during the period. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's securities during the period.



CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31 October 2002, in compliance with the Code of Best Practice set out in Appendix 14 of the Listing Rules, except that independent non-executive directors of the Company are not appointed for specific terms but they are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Audit Committee has discussed and reviewed with management the accounting principles and practices adopted by the Group and the financial reporting matters, including the review of the unaudited interim financial results for the six months ended 31 October 2002.

By Order of the Board
Haywood Cheung
Managing Director

Hong Kong, 27 January 2003