

**INTERIM RESULTS**

The Board of Directors (the "Board") of RNA Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiary companies (the "Group") for the six months ended 31st October 2000.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

|  |             | <b>Unaudited</b>        |                    |
|--|-------------|-------------------------|--------------------|
|  |             | <b>Six months ended</b> |                    |
|  |             | <b>31st October</b>     |                    |
|  |             | <b>2000</b>             | <b>1999</b>        |
|  | <i>Note</i> | <i>HK\$'000</i>         | <i>HK\$'000</i>    |
| TURNOVER                                   | 2           | 3,104,629               | 2,499,328          |
| COST OF SALES                              |             | <u>(3,012,842)</u>      | <u>(2,408,566)</u> |
| GROSS PROFIT                               |             | 91,787                  | 90,762             |
| OTHER REVENUES                             |             | <u>12,577</u>           | <u>4,219</u>       |
|  |             | <u>104,364</u>          | <u>94,981</u>      |
| EXPENSES                                   |             |                         |                    |
| General and administrative expenses        |             | (51,958)                | (32,782)           |
| Selling and distribution expenses          |             | (4,363)                 | (2,689)            |
| Other operating expenses                   |             | <u>(6,103)</u>          | <u>(8,874)</u>     |
|  |             | <u>(62,424)</u>         | <u>(44,345)</u>    |
| OPERATING PROFIT                           | 3           | 41,940                  | 50,636             |
| FINANCE COSTS                              |             | (19,962)                | (21,327)           |
| SHARE OF PROFITS LESS LOSSES OF ASSOCIATES |             | <u>62</u>               | <u>258</u>         |
| PROFIT BEFORE TAXATION                     |             | 22,040                  | 29,567             |
| TAXATION                                   | 4           | <u>(675)</u>            | <u>(6,073)</u>     |
| PROFIT AFTER TAXATION                      |             | 21,365                  | 23,494             |
| MINORITY INTERESTS                         |             | <u>227</u>              | <u>1,921</u>       |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS        |             | 21,592                  | 25,415             |
| DIVIDENDS                                  | 5           | <u>(1,270)</u>          | <u>(3,810)</u>     |
| PROFIT FOR THE PERIOD RETAINED             |             | <u>20,322</u>           | <u>21,605</u>      |
| EARNINGS PER SHARE                         |             | <i>HK Cents</i>         | <i>HK Cents</i>    |
| – Basic                                    | 6           | <u>1.59</u>             | <u>2.32</u>        |

**CONDENSED CONSOLIDATED BALANCE SHEET**

|  | <i>Note</i> | <b>Unaudited<br/>As at<br/>31st October 2000<br/>HK\$'000</b> | <b>Audited<br/>As at<br/>30th April 2000<br/>HK\$'000</b> |
|--|-------------|---|---|
| <b>NON-CURRENT ASSETS</b>                    |             |   |   |
| Fixed assets                                 |             | 273,057   | 288,189   |
| Associates                                   |             | 21,361  | 22,078  |
| Long term receivable                         |             | 117,000   | 148,000   |
| Investment securities                        |             | 82,548  | 58,246  |
| Other assets                                 |             | 1,491   | 1,491   |
| <b>TOTAL NON-CURRENT ASSETS</b>              |             | <u>495,457</u>  | <u>518,004</u>  |
| <b>CURRENT ASSETS</b>                        |             |   |   |
| Properties held for resale                   |             | 1,501   | 1,501   |
| Bullion finance debtors                      | 7           | 1,072,585   | 975,702   |
| Loan, trade and other receivables            | 8           | 203,550   | 151,788   |
| Amounts due from bullion brokerage customers | 9           | 113,057   | 106,451   |
| Prepayments and deposits                     |             | 6,620   | 8,823   |
| Inventories – other than gold bullion        |             | 70,319  | 74,511  |
| Gold bullion                                 |             | 30,345  | 33,940  |
| Cash and bank balances                       |             | 6,214   | 13,633  |
| <b>TOTAL CURRENT ASSETS</b>                  |             | <u>1,504,191</u>  | <u>1,366,349</u>  |
| <b>CURRENT LIABILITIES</b>                   |             |   |   |
| Accounts payable and accrued expenses        | 10          | 278,285   | 249,980   |
| Amounts due to bullion brokerage customers   | 9           | 19,824  | 41,816  |
| Taxation payable                             |             | 4,904   | 6,178   |
| Gold loan payable                            | 11          | 22,455  | 8,478   |
| Dividends payable                            |             | 1,270   | 7,620   |
| Other loans                                  |             |   |   |
| – secured                                    | 12          | 50,000  | 50,000  |
| – unsecured                                  | 12          | 21,430  | 21,430  |
| Current portion of long term liabilities     | 13          | 15,146  | 11,646  |
| Short term bank loans and overdrafts         |             |   |   |
| – secured                                    | 12          | 118,960   | 127,766   |
| – unsecured                                  | 12          | 75,586  | 12,747  |
| <b>TOTAL CURRENT LIABILITIES</b>             |             | <u>607,860</u>  | <u>537,661</u>  |
| <b>NET CURRENT ASSETS</b>                    |             | <u>896,331</u>  | <u>828,688</u>  |
|  |             | <u>1,391,788</u>  | <u>1,346,692</u>  |
| <i>Financed by:</i>                          |             |   |   |
| Share capital                                | 14          | 137,682   | 148,315   |
| Reserves                                     |             | 955,040   | 924,128   |
| <b>SHAREHOLDERS' FUNDS</b>                   |             | 1,092,722   | 1,072,443   |
| Convertible notes                            |             | 202,401   | 202,401   |
| Minority interests                           |             | 31,694  | 32,019  |
| Long term liabilities                        | 13          | 64,971  | 39,829  |
|  |             | <u>1,391,788</u>  | <u>1,346,692</u>  |

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

|   | <b>Unaudited</b>        |                  |
|---|-------------------------|------------------|
|   | <b>Six months ended</b> |                  |
|   | <b>31st October</b>     |                  |
|   | <b>2000</b>             | <b>1999</b>      |
|   | <i>HK\$'000</i>         | <i>HK\$'000</i>  |
| Net cash outflow from operating activities                            | (81,697)                | (195,165)        |
| Net cash outflow from returns on investments and servicing of finance | (22,052)                | (10,114)         |
| Net taxation (paid)/refund  | (1,906)                 | 868              |
| Net cash inflow/(outflow) from investing activities                   | 15,623                  | (205)            |
| Net cash inflow from financing activities                             | 28,580                  | 193,344          |
| Decrease in cash and cash equivalents                                 | (61,452)                | (11,272)         |
| Cash and cash equivalents at 30th April                               | (126,880)               | (152,066)        |
| Cash and cash equivalents at 31st October                             | <u>(188,332)</u>        | <u>(163,338)</u> |
| Analysis of the balances of cash and cash equivalents:                |                         |                  |
| Cash and bank balances  | 6,214                   | 19,557           |
| Short term bank loans and overdrafts                                  | (194,546)               | (182,895)        |
|   | <u>(188,332)</u>        | <u>(163,338)</u> |

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**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES**

|  | <b>Unaudited</b>        |                      |
|--|-------------------------|----------------------|
|  | <b>Six months ended</b> |                      |
|  | <b>31st October</b>     |                      |
|  | <b>2000</b>             | <b>1999</b>          |
|  | <i>HK\$'000</i>         | <i>HK\$'000</i>      |
| Exchange differences arising on translation of subsidiaries and associates | (43)                    | –                    |
| Profit for the period  | <u>21,592</u>           | <u>25,415</u>        |
| Total recognised gains and losses  | 21,549                  | 25,415               |
| Capital reserve credited directly to reserves                              | <u>–</u>                | <u>36,282</u>        |
|  | <u><u>21,549</u></u>    | <u><u>61,697</u></u> |

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 30th April 2000.

## 2. TURNOVER

The principal activity of the Company is investment holding and the provision of loans and gold bullion financing. The principal activities of its subsidiaries are refining, moulding, wholesaling and trading of gold bullion, the provision of loans and gold bullion financing, wholesaling and retailing of gold ornaments, diamonds and other jewellery products.

An analysis of the Group's turnover and contribution to operating profit net of finance costs by principal activities for the six months ended 31st October 2000 is as follows:

|   | Turnover                      |                  | Contribution to operating profit<br>net of finance costs |               |
|---|-------------------------------|------------------|--|---------------|
|   | Six months ended 31st October |                  | Six months ended 31st October                            |               |
|   | 2000                          | 1999             | 2000   | 1999          |
|   | HK\$'000                      | HK\$'000         | HK\$'000   | HK\$'000      |
| Bullion trading and loan financing operations | 3,053,894                     | 2,449,853        | 21,268   | 29,851        |
| Jewellery operation                           | 50,735                        | 49,475           | 710  | (542)         |
|   | <u>3,104,629</u>              | <u>2,499,328</u> | <u>21,978</u>  | <u>29,309</u> |

No analysis of the Group's turnover and contribution to operating profit net of finance costs by geographical locations is presented as more than 90% of the Group's turnover and operating profit were generated in Hong Kong.

## 3. OPERATING PROFIT

Operating profit is stated after charging the following:

|   | Six months ended<br>31st October |              |
|---|----------------------------------|--------------|
|   | 2000                             | 1999         |
|   | HK\$'000                         | HK\$'000     |
| Cost of gold bullion and inventories sold | 3,002,662                        | 2,459,650    |
| Depreciation                              | 6,103                            | 6,322        |
| Loss on disposal of fixed assets          | 104                              | 60           |
| Loss on deemed disposal of an associate   | -                                | 2,552        |
|   | <u>-</u>                         | <u>2,552</u> |

**4. TAXATION**

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

|   | <b>Six months ended<br/>31st October</b> |                 |
|---|--|-----------------|
|   | <b>2000</b>                              | <b>1999</b>     |
|   | <i>HK\$'000</i>                          | <i>HK\$'000</i> |
| Hong Kong profits tax                                 | 632                                      | 6,008           |
| Share of taxation attributable to overseas associates | 43                                       | 65              |
|   | <u>675</u>                               | <u>6,073</u>    |

Deferred taxation has not been accounted for as there were no significant timing differences.

**5. DIVIDENDS**

|  | <b>Six months ended<br/>31st October</b> |                 |
|--|--|-----------------|
|  | <b>2000</b>                              | <b>1999</b>     |
|  | <i>HK\$'000</i>                          | <i>HK\$'000</i> |
| Preference shares, payable, of HK\$0.15 (1999: HK\$0.15) per share | <u>1,270</u>                             | <u>3,810</u>    |

**6. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 31st October 2000 of HK\$21,592,000 (six months ended 31st October 1999: HK\$25,415,000) less preference dividends of HK\$1,270,000 (six months ended 31st October 1999: HK\$3,810,000) and on the weighted average of 1,278,107,672 (1999: 930,599,194) ordinary shares in issue during the period.

The diluted earnings per share for both periods were not shown as the effect was anti-dilutive.

**7. BULLION FINANCE DEBTORS**

The Group provides unsecured finance in the form of physical gold to customers engaged primarily in gold and jewellery businesses. As at 31st October 2000, the amounts, net of provision, were not due for repayment and the maturity of which is analysed as follows:

|                     | <b>As at<br/>31st October 2000</b> | <b>As at<br/>30th April 2000</b> |
|---------------------|------------------------------------|----------------------------------|
|                     | <i>HK\$ '000</i>                   | <i>HK\$ '000</i>                 |
| Repayable on demand | 47,149                             | 50,852                           |
| Within 3 months     | 1,025,436                          | 924,850                          |
|                     | <u>1,072,585</u>                   | <u>975,702</u>                   |

**8. LOAN, TRADE AND OTHER RECEIVABLES**

|                   | <b>As at<br/>31st October 2000</b> | <b>As at<br/>30th April 2000</b> |
|-------------------|------------------------------------|----------------------------------|
|                   | <i>HK\$ '000</i>                   | <i>HK\$ '000</i>                 |
| Trade debtors     | 32,765                             | 32,100                           |
| Loan receivables  | 144,306                            | 115,856                          |
| Other receivables | 26,479                             | 3,832                            |
|                   | <u>203,550</u>                     | <u>151,788</u>                   |

The ageing of trade debtors is analysed as follows:

|               | <b>As at<br/>31st October 2000</b> | <b>As at<br/>30th April 2000</b> |
|---------------|------------------------------------|----------------------------------|
|               | <i>HK\$ '000</i>                   | <i>HK\$ '000</i>                 |
| 0-3 months    | 27,308                             | 15,032                           |
| Over 3 months | 5,457                              | 17,068                           |
|               | <u>32,765</u>                      | <u>32,100</u>                    |

As at 31st October 2000, the amounts of loan receivables were not due for repayment and the maturity of which is analysed as follows:

|                     | <b>As at<br/>31st October 2000</b> | <b>As at<br/>30th April 2000</b> |
|---------------------|------------------------------------|----------------------------------|
|                     | <i>HK\$ '000</i>                   | <i>HK\$ '000</i>                 |
| Repayable on demand | 77,371                             | 19,248                           |
| Within one year     | 66,935                             | 96,608                           |
|                     | <u>144,306</u>                     | <u>115,856</u>                   |

The credit terms given to customers vary and are generally based on the financial strength of individual customers.

**9. AMOUNTS DUE FROM/(TO) BULLION BROKERAGE CUSTOMERS**

The amounts due from/(to) bullion brokerage customers are repayable on demand. As at 31st October 2000, no amounts were due for repayment.

**10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

As at 31st October 2000, included in accounts payable and accrued expenses were trade creditors of HK\$216,601,000 (30th April 2000: HK\$197,856,000), the ageing of which is analysed as follows:

|                                     | <b>As at<br/>31st October 2000</b> | <b>As at<br/>30th April 2000</b> |
|-------------------------------------|------------------------------------|----------------------------------|
|                                     | <i>HK\$'000</i>                    | <i>HK\$'000</i>                  |
| 0-3 months                          | 204,869                            | 185,437                          |
| Over 3 months                       | 11,732                             | 12,419                           |
| Total trade payables                | <u>216,601</u>                     | <u>197,856</u>                   |
| Other payables and accrued expenses | <u>61,684</u>                      | <u>52,124</u>                    |
|                                     | <u><u>278,285</u></u>              | <u><u>249,980</u></u>            |

**11. GOLD LOAN PAYABLE**

The ageing of gold loan payable is analysed as follows:

|               | <b>As at<br/>31st October 2000</b> | <b>As at<br/>30th April 2000</b> |
|---------------|------------------------------------|----------------------------------|
|               | <i>HK\$'000</i>                    | <i>HK\$'000</i>                  |
| 0-3 months    | 22,455                             | –                                |
| Over 3 months | <u>–</u>                           | <u>8,478</u>                     |
|               | <u><u>22,455</u></u>               | <u><u>8,478</u></u>              |

**12. OTHER LOANS, SHORT TERM BANK LOANS AND OVERDRAFTS**

The other loans, short term bank loans and overdrafts are all repayable within one year.



**13. LONG TERM LIABILITIES**

|  | <b>As at<br/>31st October 2000</b> | <b>As at<br/>30th April 2000</b> |
|--|------------------------------------|----------------------------------|
|  | <i>HK\$'000</i>                    | <i>HK\$'000</i>                  |
| Long term bank loans                                   |                                    |                                  |
| – unsecured and wholly repayable within five years     | 48,000                             | –                                |
| – secured and wholly repayable within five years       | 31,200                             | 50,500                           |
| – unsecured and not wholly repayable within five years | 917                                | 975                              |
|  | <u>80,117</u>                      | <u>51,475</u>                    |
| Current portion of long term bank loans                | (15,146)                           | (11,646)                         |
|  | <u>64,971</u>                      | <u>39,829</u>                    |

The Group's long term bank loans are repayable as follows:

|                            | <b>As at<br/>31st October 2000</b> | <b>As at<br/>30th April 2000</b> |
|----------------------------|------------------------------------|----------------------------------|
|                            | <i>HK\$'000</i>                    | <i>HK\$'000</i>                  |
| Within one year            | 15,146                             | 11,646                           |
| In the second year         | 43,346                             | 12,146                           |
| In the third to fifth year | 21,438                             | 27,437                           |
| After the fifth year       | 187                                | 246                              |
|                            | <u>80,117</u>                      | <u>51,475</u>                    |

**14. SHARE CAPITAL**

|   | <b>Ordinary shares of<br/>HK\$0.1 each</b> |                 | <b>6% convertible<br/>redeemable preference<br/>shares of HK\$1 each</b> |                 | <b>Total</b>   |
|---|--|-----------------|--|-----------------|----------------|
|   | <i>Number of<br/>shares</i>                | <i>HK\$'000</i> | <i>Number of<br/>shares</i>  | <i>HK\$'000</i> |                |
| <i>Authorised:</i>                          |  |                 |  |                 |                |
| At 30th April 2000 and<br>31st October 2000 | <u>2,000,000,000</u>                       | <u>200,000</u>  | <u>30,000,000</u>  | <u>30,000</u>   | <u>230,000</u> |
| <i>Issued and fully paid</i>                |  |                 |  |                 |                |
| At 30th April 2000                          | 1,229,150,392                              | 122,915         | 25,400,000   | 25,400          | 148,315        |
| Conversion of preference shares             | 147,674,418                                | 14,767          | (25,400,000)   | (25,400)        | (10,633)       |
| At 31st October 2000                        | <u>1,376,824,810</u>                       | <u>137,682</u>  | <u>–</u>   | <u>–</u>        | <u>137,682</u> |

**15. RELATED PARTY TRANSACTIONS**

The Group received rental income from Tem Fat Hing Fung (Holdings) Limited (“Tem Fat”), a substantial shareholder, of HK\$3,091,000 (six months ended 31st October 1999: HK\$3,351,000) during the period.

**16. COMMITMENTS UNDER OPERATING LEASES**

As at 31st October 2000, the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

|                                       | <b>As at<br/>31st October 2000</b> | <b>As at<br/>30th April 2000</b> |
|---------------------------------------|------------------------------------|----------------------------------|
|                                       | <i>HK\$'000</i>                    | <i>HK\$'000</i>                  |
| Within one year                       | 1,420                              | 935                              |
| In the second to fifth year inclusive | 3,950                              | 5,128                            |
|                                       | <u>5,370</u>                       | <u>6,063</u>                     |

**17. CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31st October 2000.

**18. POST BALANCE SHEET EVENTS**

Pursuant to an announcement made by the Company on 13th July 2000, the Company submitted an application to The Stock Exchange of Hong Kong Limited (“SEHK”) to propose for the spin off and the listing of its wholly owned subsidiary, Trasy Gold Ex Limited (“Trasy”) on the Growth Enterprise Market of SEHK (“GEM”). Dealings in the shares of Trasy on GEM commenced on 7th December 2000.

**INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 31st October 2000 (1999: Nil). A dividend of HK\$1,270,000 (1999: HK\$3,810,000) is payable on the Company’s 25,400,000 preference shares in accordance with the terms of these shares.

**BUSINESS REVIEW**

**FINANCIAL RESULTS**

The Group recorded turnover of HK\$3,104.6 million for the six months ended 31st October 2000, an increase of HK\$605.3 million as compared to the corresponding period in 1999. The improvement in turnover was mainly attributable to an increase in sales volume on bullion trading and expansion in its related consultancy operations in Hong Kong and the People’s Republic of China.

The operating profit after finance costs was HK\$21,978,000 compared with HK\$29,309,000 for the corresponding period in 1999. The decrease in operating profit after finance costs was mainly due to an increase of HK\$19,176,000 in general and administrative expenses, which was primarily attributable to

increased operating costs of Trasy and the expenses incurred in relation to the listing of Trasy on GEM, on which Trasy was successfully listed in December 2000.

For the six months ended 31st October 2000, the contribution to operating profit net of finance costs for bullion trading and loan financing operations was HK\$21,268,000 as compared with HK\$29,851,000 in the corresponding period in 1999. The decrease was attributable to the increased expenditure in relation to Trasy as mentioned above and the Group's offering of more competitive pricing to customers so as to strengthen its connection with existing customers and to enlarge its clientele in Hong Kong and China in the wake of China's entry of the World Trade Organization in the near future. Still suffering from the aftermath of the Asian financial turmoil in 1997, the gold and jewellery business in Malaysia remained sluggish during the period under review.

#### SUBSIDIARY

Subsequent to the balance sheet date, the Group successfully spun off and listed Trasy on GEM.

#### LIQUIDITY AND CAPITAL RESOURCES

During the period under review, all issued 6% convertible redeemable preference shares had been converted into 147,674,418 ordinary shares of the Company at the conversion price of HK\$0.86 each.

As at 31st October 2000, the Group had bank loans and overdraft of HK\$274.7 million, convertible notes of HK\$202.4 million and other loans of HK\$71.4 million. Of these borrowings, approximately HK\$200.2 million was secured by a charge over certain of the Group's inventories, investment securities and properties.

The convertible notes of HK\$202.4 million bear interest at 5% per annum and are repayable on 28th April 2003 at par in US dollars. As for the Group's long term bank loans of HK\$64.9 million as at 31st October 2000, HK\$64.2 million of which are wholly repayable within five years. The other loans of HK\$71.4 million were interest free and have been fully repaid following the listing of Trasy's shares on GEM after the balance sheet date.

As at 31st October 2000, the net current assets of the Group was increased by HK\$67.6 million to HK\$896.3 million and the current ratio remained steady for both the period under review and 30th April 2000.

There have been no material changes in capital commitments and contingent liabilities of the Group since 30th April 2000, the date to which the latest audited financial statements of the Group were made up.

## REVIEW OF OPERATIONS

**HKSAR, CHINA:** Trasy is principally engaged in the provision of services to facilitate the trading of precious metals, including gold, silver, platinum and palladium through a proprietary Internet-based real time electronic trading system called "TRASY". TRASY allows market makers to quote price to all principals and ultimate users on a real time basis and allows a dealer to handle multiple clients at the same time. The directors of the Company believe that continued development in computer, Internet and other communications technology will stimulate demand for prompt, accurate, timely and low cost information for bullion and other precious metals trading. The introduction of TRASY represents a technology breakthrough in the industry and will greatly enhance the liquidity and efficiency of the international market for precious metals trading. The Company currently holds about 58.46% in Trasy.

The Group maintained its sales through its clientele with the confidence and goodwill built among jewellery manufacturers. The promotion of electroforming products through concession counters at various local department stores and retail outlets has been met with great success. This was mainly attributable to the improving retail market, convenient location and competitive pricing. The diamond jewellery arm, Diamond Link Limited, has utilized e-commerce propaganda to promote its products by advertising and sponsoring various games and activities on the Internet. The promotional campaign has been well received by customers.

**CHINA:** In August 2000, the Company and the People's Government of Zhaoyuan City, Shandong, worked in collaboration with Gold Fields Services Limited, London, and Gold Economic Centre, Beijing to publish the Chinese edition of "Gold 2000" and to organize the China Gold and Precious Metals Conference at Zhaoyuan, China's "City of Gold". This survey is widely acknowledged as the most authoritative analysis of world gold supply and demand and is being used as an important source of reference information by local gold miners, jewellery manufacturers, bankers, economists and government officials in China. The events held in 1997, 1998 and 1999 and the publication of the gold market survey greatly helped to accelerate the process of internationalization of the Chinese gold market.

**PENANG, MALAYSIA:** Sales activities were slowdown in Malaysia. In view of recovering local economy, the Board anticipates that contribution from the Malaysian operations will be improved in the near future.

## REMUNERATION POLICY AND SHARE OPTIONS SCHEME

During the period under review, an additional of 84,540,000 share options have been granted on 22nd June 2000 to certain directors and an employee of the Group pursuant to the share option scheme of the Company which was adopted on 8th November 1996 as compared with the information disclosed in the Company's audited financial statements for the year ended 30th April 2000. The Group has 152 employees and the total staff cost was HK\$16,562,000 for the six months ended 31st October 2000.

## PROPOSED PLACEMENT AND/OR ISSUANCE OF SECURITIES

The Company issued a press announcement on 19th January 2001 in which the Company announced the possible placement and/or issuance of securities to third parties. Up to the date of this report, no fixed terms have yet been reached. The Board expects the final terms of the possible placement will be finalized shortly and a separate announcement will be made when appropriate.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st October 2000, the interests of the directors of the Company and their associates in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) and the details of any right to subscribe for equity or debt securities of the Company granted to any of them, and the exercise of 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 SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

| Name of director              | Type of Interests     | No. of ordinary shares/<br>share options of the Company         |
|-------------------------------|-----------------------|---|
| Mr. Chan Fat Chu, Raymond     | Corporate<br>(Note 1) | 1,017,500 ordinary shares                                       |
| Mr. Chan Fat Chu, Raymond     | Personal              | 1,912,500 ordinary shares (Note 2)/<br>30,636,000 share options |
| Mr. Chan Fat Leung, Alexander | Corporate<br>(Note 1) | 1,017,500 ordinary shares                                       |
| Mr. Chan Fat Leung, Alexander | Personal              | 1,912,500 ordinary shares (Note 3)/<br>30,636,000 share options |
| Mr. Lo Chi Kin, Andie         | Personal              | 1,000,800 ordinary shares/<br>12,500,000 share options          |
| Mr. Tsui Muk Ming             | Personal              | 1,000,040 ordinary shares/<br>11,900,000 share options          |
| Mr. John Cameron Broadley     | Personal              | 2,000,000 ordinary shares                                       |
| Mr. Sit Chun Sze              | Personal              | 10,000,000 share options  |

### Notes:

- Falcon Investment Company Limited ("Falcon") is a company incorporated in the British Virgin Islands with limited liability and beneficially owned by Messrs. Chan Fat Chu, Raymond and Chan Fat Leung, Alexander and their family members, Messrs. Chan Fat Chu, Raymond and Chan Fat Leung, Alexander are deemed to be interested in these shares in accordance with the SDI Ordinance as Falcon is accustomed to act in accordance with their directions or instructions.

2. Mr. Chan Fat Chu, Raymond is beneficially interested in these shares which are held by Regent Investment Company Limited, a company beneficially owned by Mr. Chan Fat Chu, Raymond.
3. Mr. Chan Fat Leung, Alexander is beneficially interested in these shares which are held by Admiralty Investment Company Limited, a company beneficially owned by Mr. Chan Fat Leung, Alexander.
4. Share options of the Company referred to in this section are options granted to employees of the Group pursuant to the share option scheme adopted by the Company on 8th November 1996. The option holders are entitled to subscribe for ordinary shares of HK\$0.10 each in the capital of the Company at any time from the date of acceptance by the option holders to any date prior to the tenth anniversary of such date.

Save as disclosed herein, none of the directors of the Company and their associates had any interests in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) and any right to subscribe for equity or debt securities of the Company granted to any of them, and the exercise of such rights, which are required to be recorded in the register under section 29 of the SDI Ordinance or as otherwise required to be notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

#### **Substantial shareholders**

As at 31st October 2000, the interests of every person, other than the directors or chief executives of the Company, in the equity securities of the Company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance and the amount of such interests were as follows:-

| <b>Name of shareholder</b>                  | <b>Number of ordinary shares</b> |
|---|----------------------------------|
| Tem Fat                                     | 520,936,818                      |
| Chimstar Limited (“Chimstar”)               | 380,170,818                      |
| Volaton Limited (“Volaton”)                 | 380,170,818                      |
| Sky Lead International Limited (“Sky Lead”) | 140,766,000                      |

*Note:* Chimstar, Sky Lead and Volaton are wholly-owned subsidiaries of Tem Fat and their interests in the above shares of the Company are included in the interests held by Tem Fat.

Save as aforesaid, no person other than the directors or chief executives of the Company was interested in the equity securities of the Company which are required to be recorded in the register kept under section 16(1) of the SDI Ordinance.

## **PRACTICE NOTE 19 TO THE LISTING RULES**

### **Specific performance obligation imposed on the controlling shareholder and directors of the Company**

Reference is made to the joint announcements of the controlling shareholder of the Company, Tem Fat, and the Company in relation to the Notes (as defined below) on 27th March, 14th, 22nd and 28th April, 1998 whereby amongst other things it was announced that on 28th April 1998 the Company issued an aggregate principal amount of US\$30,000,000 5% convertible notes due 28th April 2003 (the “Notes”). As at 31st October 2000, a principal amount of US\$3,850,000 of the Notes has been converted into 23,455,982 ordinary shares of HK\$0.10 each of the Company.

Tem Fat has an approximately 37.84% interest in the Company as at 31st October 2000.

Pursuant to the terms of the Notes, the then outstanding aggregate principal amount of the Notes, and accrued interest, may be declared due and payable in the event that, amongst other things, (a) Tem Fat owns directly or indirectly, at any time during the Notes are outstanding, less than 35% of the outstanding equity capital of the Company to which voting rights are attached, or (b) both Mr. Chan Fat Chu, Raymond and Mr. Chan Fat Leung, Alexander cease to be directors of the Company (the “Default Event(s)”).

These effectively impose an obligation on Tem Fat, and on Mr. Chan Fat Chu, Raymond and Mr. Chan Fat Leung, Alexander to maintain its interest in the Company and to remain as directors of the Company respectively.

On 28th June 2000, Tem Fat entered into an agreement with Rasam Limited (“Rasam”), a company in which Tem Fat holds a 49% interest, pursuant to which Tem Fat agreed to sell its entire interests in the Company to Rasam (“Rasam Transaction”). Upon completion of the Rasam Transaction, Tem Fat shall own directly or indirectly less than 35% of the outstanding equity capital of the Company to which voting rights are attached and this would constitute an event of default under paragraph 9(i) of the terms of the Notes. By a Noteholders’ meeting held on 15th August 2000, the holders of the Notes had approved, among other things, not to declare an event of default and to waive any declaration of default under paragraph 9(i) of the terms of the Notes pursuant to the completion of the Rasam Transaction.

As at 31st October 2000, the aggregate level of the Group’s borrowings, not including the Notes, which may be repayable on demand, by the breach of any of the Default Events, amounted to approximately 346 million. The directors of the Company consider it a general practice and a usual term of loan agreements that a default in one of the borrowings of a borrower or any of its subsidiaries may cause other borrowings of the borrower and its subsidiaries to be repayable on demand.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period under review.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements. At the request of the directors of the Company, the Group's external auditors have carried out a review of the unaudited interim financial statements in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

## **CORPORATE GOVERNANCE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the period under review, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, except that independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting in accordance with the provisions of the Company's Bye-Laws.

On behalf of the Board  
**Chan Fat Leung, Alexander**  
*Deputy Chairman*

Hong Kong, 30th January 2001