

1. CORPORATE INFORMATION

The head office and principal place of operations of the Company is situated at 3rd floor, Cameron Commercial Centre, 468 Hennessy Road, Causeway Bay, Hong Kong.

During the year, the Group was involved in the business of bullion, futures and securities broking and trading, the provision of margin and loan financing, shipment sales of metals and metal scraps, in-warehouse sales of metals, the holding of investment properties and mining operations in Mainland China.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties and certain equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 April 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been diminutions in values, other than those considered to be temporary in nature, when they are written down to values determined by the directors.

Jointly-controlled entities

A jointly-controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The jointly-controlled entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

Notes to Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly-controlled entities (Continued)

The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any provision for diminution in value, other than those considered to be temporary in nature, deemed necessary by the directors.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20 percent of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any provisions for diminutions in values other than those considered to be temporary in nature, deemed necessary by the directors.

Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of associates and jointly-controlled entities represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

Capital reserve on consolidation represents the excess of the fair values ascribed to the acquired underlying net assets of subsidiaries, jointly-controlled entities or associates at the date of acquisition over the purchase consideration, and is credited to reserves.

On disposal of subsidiaries, associates or jointly-controlled entities, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible and have elected to participate. Contributions are based on a percentage of the employees' basic salaries and are charged to the profit and loss accounts as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect to the Mandatory Provident Fund retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme.

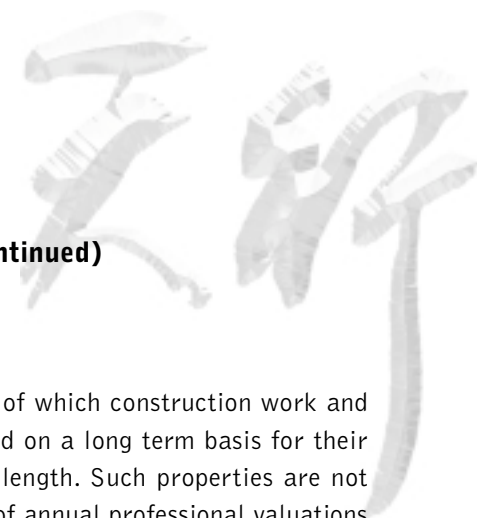
Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;
- dividend income, when the shareholders' right to receive payment is established;
- rental income, on the straight-line basis over the lease terms; and
- income from bullion, securities and futures contracts broking and trading, on the following bases:
 - (i) profits/losses on bullion and futures contracts are recognised on all open contracts existing at the balance sheet date by translating the contract amounts at the prices ruling at the balance sheet date, and on all closed positions on the trade date basis;
 - (ii) profits/losses on securities dealing are recognised on the trade date basis; and
 - (iii) commission income, handling fee income, premium income and custodian fee income are recognised when the services are rendered.

Notes to Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the balance sheet date. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	–	Over the lease terms
Buildings	–	2 percent to 4 percent per annum or over the lease terms, whichever is shorter
Leasehold improvements	–	20 percent to 25 percent
Plant and machinery	–	8 percent to 10 percent
Furniture, equipment and motor vehicles	–	20 percent to 50 percent

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trading rights

Trading rights, representing the eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited ("SEHK") and the Hong Kong Futures Exchange Limited ("HKFE"), are stated at cost less accumulated amortisation.

Amortisation is calculated on the straight-line basis to write off the cost of the trading rights over their estimated lives of 20 years.

Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment loss, if any. The cost of mining rights is amortised on a straight-line basis over their estimated useful lives of 10 years.

Other long term assets

Other assets held on a long term basis are stated at cost less provisions for any permanent diminutions in values deemed necessary by the directors, on an individual basis.

Non-trading investments

Non-trading investments are investments in listed and unlisted equity securities intended to be held on a long term basis. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual basis. Unlisted securities are stated at their estimated fair values on an individual basis.

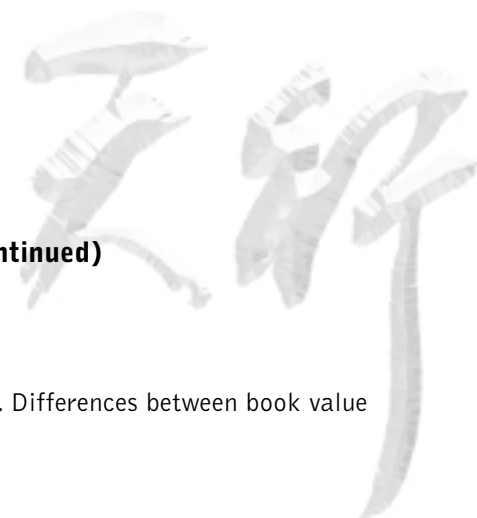
The gains or losses arising from changes in the fair values of a security are dealt with as movements in the non-trading investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the non-trading investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

Trading investments

Trading investments are investments in listed equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gold on hand

Gold on hand is stated at the market value at the balance sheet date. Differences between book value and market value are dealt with in the profit and loss account.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Related parties

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. Related parties may be individuals or corporate entities.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Notes to Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas jointly-controlled entities and associates are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the currency translation reserve.

3. TURNOVER AND REVENUE

Revenue from the following activities has been included in turnover:

	2001	2000
	HK\$'000	<i>HK\$'000</i>
Fees and commission income from bullion, securities and futures broking	40,070	35,314
Profit/(loss) on trading of bullion, securities and futures contracts	(19,339)	63,019
Interest income from margin financing activities	2,741	4,894
Interest income from loan financing activities	2,499	1,249
Shipment sales – Metals	30,636	373,503
– Metal scraps	19,664	7,813
– Others	4,722	121
In-warehouse metals sales	1,556,120	1,326,888
Gross rental income	6,767	3,703
	1,643,880	1,816,504

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4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2001	2000
	HK\$'000	HK\$'000
Auditors' remuneration	800	1,030
Depreciation	6,646	4,437
Amortisation of intangible assets	1,976	–
Operating lease rentals on land and buildings	7,886	7,333
Deficit/(surplus) on revaluation of investment properties – note 12	(9,930)	23,063
Unrealised holding loss on trading investments	20,562	6,616
Profit on disposal of non-trading investments	(43,299)	–
Profit on disposal of trading investments	(1,213)	–
Loss on disposal of fixed assets	134	3
Provision for loss on amount due from an associate	1,100	–
Impairment loss on goodwill reserve (Note)	110,941	–
Impairment loss on investments in securities (Note)	174,010	–
Staff costs (including directors' remuneration – note 5):		
Wages and salaries	28,872	25,604
Contributions to defined contributions pension scheme	861	529
Less: Forfeited contributions refunded/offset	(38)	(84)
Net pension contributions	823	445
Total staff costs	29,695	26,049
Gross rental income	(6,767)	(3,703)
Less: Outgoings	35	57
Net rental income	(6,732)	(3,646)
Dividend income from listed investments	(228)	(304)

Note:

The impairment losses are provided for the non-trading unlisted investments and goodwill reserve arising from the acquisition of subsidiaries. In the opinion of the directors, such impairment losses arose from the prevailing unfavourable economic environment in the high technology sector.

Notes to Financial Statements

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5. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	2001	2000
	HK\$'000	<i>HK\$'000</i>
Fees:		
Executive directors	–	–
Independent non-executive directors	309	360
	309	360
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	3,672	1,837
Discretionary bonuses	168	–
Pension scheme contributions	110	101
	3,950	1,938

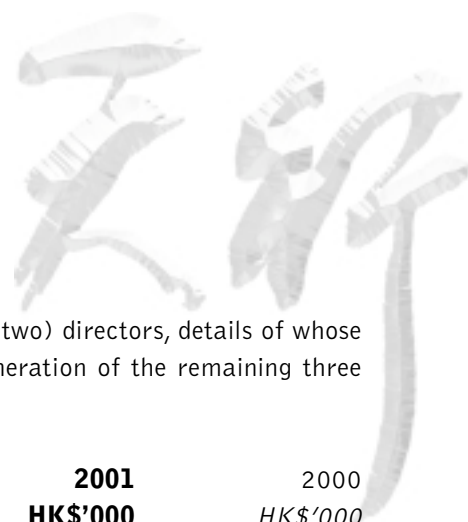
The remuneration of the above directors fell within the following bands:

	Number of directors	
	2001	2000
Nil - HK\$1,000,000	6	6
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	1	–
	8	7

There was no arrangement under which a director waived or agreed to waive any remuneration for the year.

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6. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2000: two) directors, details of whose remuneration are set out in note 5 above. The details of the remuneration of the remaining three (2000: three) non-director, highest paid employees are set out below.

	2001	2000
	HK\$'000	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,833	2,271
Discretionary bonus	69	–
Pension scheme contributions	136	–
	2,038	2,271

The remuneration of the non-director, highest paid employees fell within the band of nil to HK\$1,000,000.

7. FINANCE COSTS

	2001	2000
	HK\$'000	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	20,798	24,015

8. TAX

	2001	2000
	HK\$'000	<i>HK\$'000</i>
Group:		
Hong Kong	–	7,674
Overprovision in prior years	(86)	(302)
Deferred tax - note 28	(175)	–
	(261)	7,372
Share of tax attributable to associates	288	26
Share of tax attributable to jointly-controlled entities	107	–
Tax charge for the year	134	7,398

8. TAX (Continued)

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year. Last year, Hong Kong profits tax was provided at the rate of 16 percent on the estimated 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 the year.

9. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$311,521,000 (2000: net profit of HK\$327,000).

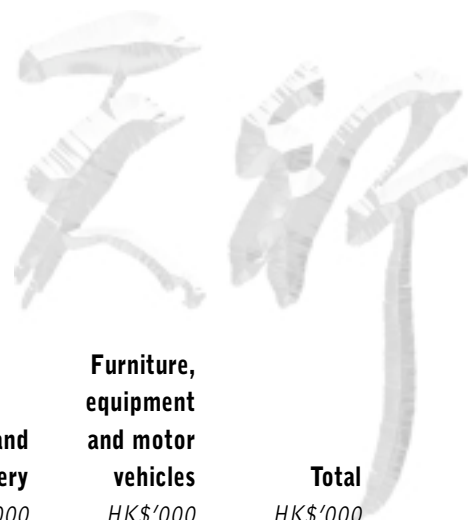
10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders of HK\$282,764,000 (2000: profit of HK\$10,090,000) and the weighted average of 2,030,618,000 shares in issue during the year (2000: weighted average of 1,456,068,000 shares).

Diluted earnings/(loss) per share for the years ended 30 April 2001 and 2000 have not been calculated as no diluting events existed during both years.

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11. FIXED ASSETS

Group	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At beginning of year	63,950	5,884	–	8,939	78,773
Additions	5,325	1,788	9,865	4,618	21,596
Disposals	–	–	(120)	(35)	(155)
Acquisition of subsidiaries	–	312	741	116	1,169
Exchange realignment	–	(28)	–	–	(28)
At 30 April 2001	69,275	7,956	10,486	13,638	101,355
Accumulated depreciation:					
At beginning of year	2,512	2,365	–	5,713	10,590
Provided during the year	1,900	1,445	892	2,409	6,646
Disposals	–	–	(14)	(7)	(21)
Acquisition of subsidiaries	–	–	33	4	37
At 30 April 2001	4,412	3,810	911	8,119	17,252
Net book value:					
At 30 April 2001	64,863	4,146	9,575	5,519	84,103
At 30 April 2000	61,438	3,519	–	3,226	68,183

The Group's leasehold land and buildings are held under the following lease terms:

	Hong Kong <i>HK\$'000</i>	Elsewhere <i>HK\$'000</i>	Total <i>HK\$'000</i>
Long term leases	41,900	–	41,900
Medium term leases	22,050	5,325	27,375
	63,950	5,325	69,275

As at 30 April 2001, all leasehold land and buildings were pledged to secure banking facilities granted to the Group (note 32).

Notes to Financial Statements

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12. INVESTMENT PROPERTIES

	Group	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
At beginning of year	171,220	255,731
Revaluation surplus/(deficit) (note 4)	9,930	(23,063)
Disposals	–	(19,548)
Transfer to leasehold land and buildings	–	(41,900)
	<hr/>	<hr/>
At 30 April	181,150	171,220

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	Group	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
Long term leases	156,300	153,000
Medium term leases	24,850	18,220
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	181,150	171,220

At 30 April 2001, all investment properties were revalued on an open market existing use basis by K.T. Liu Surveyors Limited, independent professional valuers, at HK\$181,150,000.

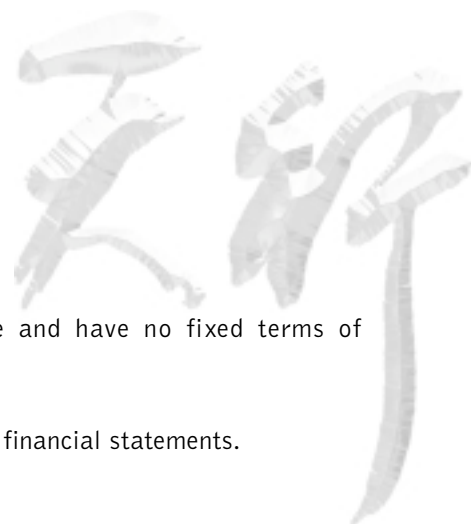
All investment properties were mortgaged to banks to secure banking facilities granted to the Group (note 32).

13. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
Unlisted shares, at cost	41,510	41,510
Due from subsidiaries	1,331,406	1,202,801
Provisions	(1,034,011)	(725,761)
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	338,905	518,550

Notes to Financial Statements

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13. INTERESTS IN SUBSIDIARIES (Continued)

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are set out in note 37 to the financial statements.

14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	2001	Group
	HK\$'000	2000
		<i>HK\$'000</i>
Share of net assets	24,680	21,388
Loan to a jointly-controlled entity	10,528	19,366
Due to a jointly-controlled entity	–	(5,985)
	35,208	34,769

The balances with a jointly-controlled entity are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Effective equity interest attributable to the Group	Group's percentage of voting power	Principal activities
Guangxi Dexin Aluminum Industry Company Limited	Corporate	Mainland China	50%	57% (Note)	Trading and manufacturing of aluminium products
Chengdu Goldsilver Limited	Corporate	Mainland China	49%	49%	Trading and manufacturing of precious metals

Notes to Financial Statements

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14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

The percentage of profit share is the same as the effective equity interest attributable to the Group.

The jointly-controlled entities are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

Note: According to the joint venture agreements, all resolutions passed need unanimous consent given by the directors who attend the respective meeting of which the quorum is two directors from each joint venturer. Accordingly, neither of the joint venturers has unilateral control over the activities of this entity.

15. INTERESTS IN ASSOCIATES

	Group	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
Share of net assets	17,126	3,058
Loan to an associate	2,100	2,100
Due from associates	34	15,612
Due to associates	(14,324)	(13,269)
	4,936	7,501
Provision for loss on amount due from an associate	(2,100)	(1,000)
	2,836	6,501

The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

The table below lists the associates of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements

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15. INTERESTS IN ASSOCIATES (Continued)

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Effective equity interest attributable to the Group	Principal activities
COL Net Securities Trading Services Limited **	Corporate	Hong Kong	HK\$2,000,000	43.42%	Investment holding
Guangdong Simton International Leasing Corporation Limited *	Corporate	Mainland China	RMB8,288,737	25%	Trading and leasing of plant and machinery
Hong Kong TelePAQ Holdings Limited	Corporate	British Virgin Islands	US\$3,856,042	35%	Investment holding
Hong Kong TelePDA Technology Limited	Corporate	Hong Kong	HK\$10,000,000	35%	Operation not yet commenced
Metal Highway Limited	Corporate	Hong Kong	HK\$1,000	44.1%	Metals trading
Simsen Commodities Company Limited	Corporate	Hong Kong	HK\$1,000	49%	In-warehouse trading of metals
Simsen International Commodities Limited	Corporate	British Virgin Islands	US\$200	49%	Investment holding
Simsen Used Machineries and Parts Limited	Corporate	Hong Kong	HK\$10,000	50%	Investment holding
開時網絡科技(深圳)有限公司	Corporate	Mainland China	RMB5,652,086	43.42%	Provision of software development and application services

Notes to Financial Statements

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15. INTERESTS IN ASSOCIATES (Continued)

* This is a jointly-controlled entity held by Simsen Used Machineries and Parts Limited and is not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

** The financial statements of this associate are non-conterminous with those of the Group, which has a financial year end date of 31 December. The consolidated financial statements have been adjusted for material transactions between the associate and other Group companies between 1 January and 31 March.

16. INTANGIBLE ASSETS

Group

	Trading rights	Mining rights	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:			
At beginning of year	24,884	–	24,884
Additions	–	63,084	63,084
Acquisition of subsidiaries	–	9,755	9,755
At 30 April 2001	24,884	72,839	97,723
Accumulated amortisation:			
Provided during the year and at 30 April 2001	1,244	732	1,976
Net book value:			
At 30 April 2001	23,640	72,107	95,747
At 30 April 2000	24,884	–	24,884

Notes to Financial Statements

30 April 2001



17. INVESTMENTS IN SECURITIES

	<i>Notes</i>	Group 2001 HK\$'000	2000 HK\$'000
Non-trading investments:			
Listed equity investment in Hong Kong, at market value		15,324	–
Listed equity investment outside Hong Kong, at market value	<i>(i)</i>	–	108,613
Unlisted equity investment in Hong Kong, at fair value	<i>(ii)</i>	22,425	21,024
Unlisted equity investment outside Hong Kong, at fair value		20,164	13,625
		57,913	143,262
Less: Portion classified as current assets		(15,324)	–
Long term portion		42,589	143,262

	Group 2001 HK\$'000	2000 HK\$'000
Trading investments:		
Listed equity investments in Hong Kong, at market value, and classified as current assets	37,648	30,417
Investment in securities classified as current assets:		
Non-trading investments	15,324	–
Trading investments	37,648	30,417
	52,972	30,417

Subsequent to the balance sheet date and up to the date of approval of these financial statements, non-trading investments with carrying value of HK\$15,261,300 were disposed of at HK\$13,998,800.

Notes to Financial Statements

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17. INVESTMENTS IN SECURITIES (Continued)

Notes:

- (i) Last year's listed equity investment outside Hong Kong represented approximately 43.52 percent direct equity interests in the China Mining Sub Fund of the China Energy, Metal and Mining Fund (the "China Mining Fund"), a company incorporated in the Cayman Islands and listed on the Bermuda Stock Exchange. Such investment was not accounted for as an associate last year as the China Mining Fund was separately managed by an independent investment manager and the Group did not have any influence over the fund's daily operating and financial decisions. During the year, the Group disposed of all its shares in the China Mining Fund and resulted in a loss of approximately HK\$1,282,000 in the following manner:
- (a) On 7 September 2000, 800,000 shares of the China Mining Fund were disposed of to an independent third party at a consideration of RMB67,500,000 (equivalent to approximately HK\$63,084,000) for the purchase of a mine located in Mainland China.
- (b) The remaining 625,689 shares were disposed of to independent third parties at a total consideration of approximately HK\$47,828,000.
- (ii) The non-trading unlisted equity investment in Hong Kong represented effective equity interests of 10% in StockOnLine Corporation Limited and 18.08% in Viomax Group Limited, in which the Group is not in a position to exercise significant influence. An impairment loss on this investment of HK\$174,010,000 was made during the year.

18. OTHER LONG TERM ASSETS

	Group	
	2001 HK\$'000	2000 HK\$'000
Long term deposits (Note)	30,599	114,300
Cost of membership of the Chinese Gold and Silver Exchange Society	2,000	2,000
Deposits with SEHK:		
Compensation Fund	250	250
Fidelity Fund	250	250
Admission fee paid to the Hong Kong Securities Clearing Company Limited	250	250
Contribution in cash to the Guarantee Fund of the Central Clearing and Settlement System	250	250
Deposit with the Compensation Fund of HKFE	100	100
	33,699	117,400

Notes to Financial Statements

30 April 2001



18. OTHER LONG TERM ASSETS (Continued)

Note:

Long term deposits included (i) HK\$8.6 million for the acquisition of 10% equity interests in a private company engaged in the operations of cable TV in Taiwan as detailed in note 38, which then became an investment in securities after the balance sheet date; (ii) HK\$9.8 million for the purchase of fixed assets; and (iii) HK\$9.8 million for the proposed acquisitions of subsidiaries.

Last year's long term deposits included deposits paid for the acquisition of non-trading unlisted equity investment and subsidiaries of HK\$50 million and HK\$56 million, respectively, which were completed during the year.

19. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Finished goods	9,130	4,718

All inventories were stated at cost.

20. TRADE RECEIVABLES

The Group has a stringent 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; and
- (c) open credit of 31 to 90 days.

The aged analysis of trade receivables as at 30 April 2001 is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
0 - 30 days	48,077	103,703
31 - 60 days	12,665	2,215
61 - 90 days	2,899	196
Over 90 days	18,565	9
	82,206	106,123

Notes to Financial Statements

30 April 2001

21. BANK TRUST ACCOUNT BALANCES

Cash and bank balances held under trust accounts were kept by a subsidiary principally engaged in the securities broking business.

22. TRADE PAYABLES

The aged analysis of trade payables as at 30 April 2001 is as follows:

	2001	Group
	HK\$'000	2000
		<i>HK\$'000</i>
0 - 30 days	35,809	55,997
31 - 60 days	418	3,771
61 - 90 days	1	–
Over 90 days	1,975	46
	38,203	59,814

23. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	<i>Notes</i>	2001	Group
		HK\$'000	2000
			<i>HK\$'000</i>
Bank overdrafts:			
Secured	<i>32</i>	36,097	2,367
Unsecured		–	29
	<i>24</i>	36,097	2,396
Current portion of bank loans – secured	<i>24, 32</i>	22,434	20,630
Loan from a director	<i>25</i>	4,091	2,900
Loan from a related company	<i>26</i>	7,822	9,386
		70,444	35,312

Notes to Financial Statements

30 April 2001



24. INTEREST-BEARING BANK LOANS AND OTHER LOANS

	<i>Notes</i>	2001 HK\$'000	Group 2000 <i>HK\$'000</i>
Bank overdrafts repayable on demand	23	36,097	2,396
Secured bank loans repayable:			
Within one year	23	22,434	20,630
In the second year		26,607	21,892
In the third to fifth years, inclusive		92,399	78,787
After five years		47,954	80,250
		189,394	201,559
Total interest-bearing bank loans and other borrowings		225,491	203,955
Portion classified as current liabilities		(58,531)	(23,026)
		166,960	180,929

25. LOAN FROM A DIRECTOR

The loan from a director is unsecured, interest-free and has no fixed terms of repayment.

26. LOAN FROM A RELATED COMPANY

The loan from a related company is unsecured, bears interest at the London Interbank Offered Rate plus 2 percent per annum and has no fixed terms of repayment.

27. DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements

30 April 2001

28. DEFERRED TAX

	Group	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
Balance at beginning of year	192	192
Credit for the year - note 8	(175)	–
At 30 April	17	192

The principal components of the Group's deferred tax liabilities/(assets), and the amounts not provided for/(recognised) are as follows:

	Provided		Not recognised	
	2001	2000	2001	2000
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Accelerated depreciation allowances	17	192	–	–
Tax losses carried forward	–	–	(24,276)	(20,907)
	17	192	(24,276)	(20,907)

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

No provision has been made for taxes which would arise on the remittance to Hong Kong of retained profits of overseas companies as it is not anticipated that these amounts will be remitted in the near future.

Notes to Financial Statements

30 April 2001



29. SHARE CAPITAL

Shares

	<i>Notes</i>	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Authorised:			
5,000,000,000 (2000: 2,000,000,000) ordinary shares of HK\$0.10 each	<i>(i)</i>	5,000,000	500,000
Issued and fully paid:			
At beginning of year		1,742,800	174,280
Placement of new shares	<i>(ii)</i>	159,360	15,936
Issue for acquisition of investments in securities	<i>(iii)</i>	160,000	16,000
Issue for acquisition of a subsidiary	<i>(iv)</i>	210,000	21,000
At 30 April 2001		2,272,160	227,216

The following changes in the Company's authorised and issued share capital took place during the year:

- (i) Pursuant to an ordinary resolution passed at a special general meeting held on 14 September 2000, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$500,000,000 by the creation of 3,000,000,000 additional shares of HK\$0.10 each, ranking *pari passu* in all respects with the existing share capital of the Company.
- (ii) Pursuant to a placing and subscription agreement entered between the Company, Peakhurst Limited ("Peakhurst"), Haywood Shares Holding Limited ("Haywood BVI") and Kingsway SW Securities Limited dated 26 February 2000, a total of 280,000,000 ordinary shares of HK\$0.10 each were placed by Peakhurst and Haywood BVI to independent institutional investors at a price of HK\$0.305 per placing share (the "Placing Price") on 1 March 2000. At the same time, each of Peakhurst and Haywood BVI agreed to subscribe for an aggregate of 439,360,000 new ordinary shares at the Placing Price. Each of Peakhurst and Haywood BVI subscribed for 219,680,000 shares (140,000,000 "Tranche A" shares and 79,680,000 "Tranche B" shares). The subscription for a total of 280,000,000 "Tranche A" shares was completed on 10 March 2000 whilst the subscription for a total of 159,360,000 "Tranche B" shares was completed on 15 September 2000 pursuant to an ordinary resolution passed at a special general meeting held on 14 September 2000. The closing market price, as quoted on the Stock Exchange, as at 26 February 2000 was HK\$0.325 per share. The net proceeds of the placement and subscription were approximately HK\$130.5 million, of which HK\$128 million was used as the cash consideration for the acquisition of the non-trading unlisted equity investment in Hong Kong as detailed in note 17 (note (ii)), and the balance of HK\$2.5 million as general working capital of the Company.

29. SHARE CAPITAL (Continued)

- (iii) Pursuant to an acquisition agreement entered between the Company, Mr. Stanley Cheung (son of the Chairman of the Company) and other vendors dated 26 February 2000, as supplemented and amended by 4 supplemental agreements dated 29 March, 20 April, 30 June and 1 August 2000, respectively, the non-trading equity investment in Hong Kong as detailed in note 17 (note (ii)) was acquired at a total consideration of HK\$180 million (the "Acquisition") which was satisfied partly by cash of HK\$128 million (funded by applying part of the net proceeds from the subscription pursuant to a placing and subscription agreement dated 26 February 2000 as detailed in note (ii) above). The balance of HK\$52 million was satisfied by the allotment and issue of 160,000,000 new shares of the Company at a price of HK\$0.325 per share on 15 September 2000. The Acquisition was approved by shareholders of the Company at the special general meeting held on 14 September 2000 and was completed on 15 September 2000.
- (iv) Pursuant to a sale and purchase agreement dated 18 October 2000, 210,000,000 new ordinary shares of HK\$0.10 each were allotted and issued at a price of HK\$0.155 per share for the acquisition of the entire issued share capital of Chatwell Profits Limited. The acquisition was completed and the shares were allotted on 30 November 2000.

Share options

On 27 January 1994, the Company adopted a share option scheme under which the directors may, at their discretion, make an offer to any employee, including directors, of the Company or its subsidiaries, for the grant of options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10 percent of the issued share capital of the Company from time to time which have been duly allotted and issued. No share options were granted or exercised during the year.

As at 30 April 2001, the Company had the following outstanding share options pursuant to the above share option scheme:

Date of share options granted	Number of share options outstanding as at 30 April 2001	Subscription price per share	Exercisable period
20 January 1997	5,800,000	HK\$0.80	20 July 1997 - 19 January 2007
2 March 1998	100,000,000	HK\$0.28	2 September 1998 - 1 March 2008

The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 105,800,000 additional ordinary shares for a total consideration of HK\$32,640,000 before the related issue expenses.

Notes to Financial Statements

30 April 2001

30. RESERVES

Group	Share premium account HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000	General reserve* HK\$'000	Currency translation reserve HK\$'000	Non-trading investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 May 1999	946,266	(259,829)	-	-	249	7,432	(420,156)	273,962
Private placements	81,668	-	-	-	-	-	-	81,668
Share issue expenses	(4,555)	-	-	-	-	-	-	(4,555)
Movement in fair value	-	-	-	-	-	(15,106)	-	(15,106)
Arising on investment in an associate	-	-	4,176	-	-	-	-	4,176
Exchange realignment	-	-	-	-	47	-	-	47
Net profit for the year	-	-	-	-	-	-	10,090	10,090
At 30 April 2000 and 1 May 2000	1,023,379	(259,829)	4,176	-	296	(7,674)	(410,066)	350,282
Private placements	80,219	-	-	-	-	-	-	80,219
Share issue expenses	(3,601)	-	-	-	-	-	-	(3,601)
Movement in fair value	-	-	-	-	-	7,247	-	7,247
Release on disposals	-	-	-	-	-	5,799	-	5,799
Arising on acquisition of subsidiaries	-	(155,618)	-	-	-	-	-	(155,618)
Exchange realignment	-	-	-	-	(3,438)	-	-	(3,438)
Transfer to general reserve	-	-	-	120	-	-	(120)	-
Impairment loss on goodwill reserve	-	110,941	-	-	-	-	-	110,941
Net loss for the year	-	-	-	-	-	-	(282,764)	(282,764)
At 30 April 2001	1,099,997	(304,506)	4,176	120	(3,142)	5,372	(692,950)	109,067
Reserves retained by:								
Company and subsidiaries	1,099,997	(304,506)	4,176	120	(3,361)	5,372	(685,603)	116,195
Jointly-controlled entities	-	-	-	-	157	-	(6,331)	(6,174)
Associates	-	-	-	-	62	-	(1,016)	(954)
At 30 April 2001	1,099,997	(304,506)	4,176	120	(3,142)	5,372	(692,950)	109,067
Reserves retained by:								
Company and subsidiaries	1,023,379	(259,829)	4,176	-	-	(7,674)	(398,231)	361,821
Jointly-controlled entity	-	-	-	-	187	-	(10,604)	(10,417)
Associates	-	-	-	-	109	-	(1,231)	(1,122)
At 30 April 2000	1,023,379	(259,829)	4,176	-	296	(7,674)	(410,066)	350,282

* Pursuant to the relevant laws and regulations applicable in Mainland China, a portion of profits of the Group's subsidiary in Mainland China was transferred to reserve funds which are restricted as to use.

Notes to Financial Statements

30 April 2001

30. RESERVES (Continued)

Company	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 1999	946,266	25,760	(705,496)	266,530
Net profit for the year	–	–	327	327
Premium on new shares issued	81,668	–	–	81,668
Share issue expenses	(4,555)	–	–	(4,555)
At 30 April 2000 and 1 May 2000	1,023,379	25,760	(705,169)	343,970
Net loss for the year	–	–	(311,521)	(311,521)
Premium on new shares issued	80,219	–	–	80,219
Share issue expenses	(3,601)	–	–	(3,601)
At 30 April 2001	1,099,997	25,760	(1,016,690)	109,067

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1994, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus is currently not available for distribution.

Notes to Financial Statements

30 April 2001



31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow/(outflow) from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit/(loss) from operating activities	(266,732)	38,517
Interest income	(2,509)	(1,890)
Depreciation	6,646	4,437
Amortisation of intangible assets	1,976	–
Deficit/(surplus) on revaluation of investment properties	(9,930)	23,063
Loss on disposal of fixed assets	134	3
Profit on disposal of non-trading investments	(43,299)	–
Provision for loss on amount due from an associate	1,100	–
Unrealised holding loss on trading investments	20,562	6,616
Impairment loss on investments in securities	174,010	–
Impairment loss on goodwill reserve	110,941	–
Dividend income from listed investments	(228)	(304)
Increase in other long term assets	(22,299)	(50,000)
Increase in bank trust account balances	(4,134)	(1,739)
Decrease/(increase) in gold on hand	(5)	1,183
Increase in short term investments	(27,793)	(20,018)
Decrease in trade receivables	23,917	89,392
Decrease/(increase) in inventories	(4,412)	1,327
Decrease/(increase) in prepayments, deposits and other receivables	29,696	(24,083)
Decrease in trade payables	(21,805)	(3,473)
Increase/(decrease) in other payables and accrued liabilities	7,914	(8,285)
Increase in amounts due to associates	1,055	13,269
Decrease/(increase) in amounts due from associates	8,731	(15,612)
Decrease in amount due from a jointly-controlled entity	–	139
Decrease in amount due to a jointly-controlled entity	(5,985)	(14,626)
Effect of foreign exchange differences	(3,380)	–
Net cash inflow/(outflow) from operating activities	(25,829)	37,916

Notes to Financial Statements

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31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital and share premium account <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Loan from a related company <i>HK\$'000</i>	Loan from a director <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1 May 1999	1,068,196	245,315	8,940	328	–
Cash inflow/(outflow) from financing, net	129,463	(43,756)	–	2,572	2
Interest expense	–	–	446	–	–
Share of loss for the year	–	–	–	–	(2)
At 30 April 2000 and 1 May 2000	1,197,659	201,559	9,386	2,900	–
Cash inflow/(outflow) from financing, net	45,004	(12,165)	(1,564)	1,191	145
Non-cash transactions	84,550	–	–	–	–
Share of loss for the year	–	–	–	–	(17)
At 30 April 2001	1,327,213	189,394	7,822	4,091	128

Notes to Financial Statements

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31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Acquisitions of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	1,132	—
Interests in associates	4,388	—
Intangible assets	9,755	—
Cash and bank balances	37,457	—
Prepayments, deposits and other receivables	2,881	—
Trade payables and accrued liabilities	(5,608)	—
Due to Group companies	(6,847)	—
	43,158	—
Goodwill arising on acquisitions	155,618	—
	198,776	—
Satisfied by:		
Cash	110,689	—
Shares issued	32,550	—
Reclassification of interests in associates	(463)	—
Deposit paid last year	56,000	—
	198,776	—

An analysis of the net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries is as follows:

	2001 HK\$'000	2000 HK\$'000
Balance of consideration paid	110,689	—
Cash and bank balances acquired	(37,457)	—
Net cash outflow in respect of the acquisitions of subsidiaries	73,232	—

The subsidiaries acquired during the year contributed HK\$18,198,000 to the Group's net cash outflow from operating activities and utilised HK\$15,856,000 for investing activities.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Major non-cash transactions

Part of the consideration for acquisitions of subsidiaries during the year was satisfied by an allotment of new ordinary shares as detailed in note 29 (iii) and (iv). Further details of the acquisitions are also set out in the circular and press announcement of the Company dated 28 August 2000 and 19 October 2000, respectively.

32. BANKING FACILITIES

As at 30 April 2001, part of the Group's banking facilities were secured by the following:

- (a) bank deposits amounting to HK\$2,778,000 (2000: HK\$1,317,000);
- (b) a corporate guarantee from a substantial shareholder of the Company and undertakings given by the same substantial shareholder that it agreed to hold not less than 4,853 shares of a corporate controlling shareholder of the Company;
- (c) personal guarantees from a director of the Company;
- (d) first legal charges on all investment properties of the Group;
- (e) all leasehold land and buildings of the Group; and
- (f) listed investments of the Group's margin clients (with the margin clients' consent).

33. CONTINGENT LIABILITIES

At the balance sheet date, there were contingent liabilities not provided for in the financial statements as follows:

	Company	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
Guarantee for banking facilities granted to subsidiaries	28,133	644

Notes to Financial Statements

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34. COMMITMENTS

At the balance sheet date, the Group had the following commitments:

- (a) Annual commitments under non-cancellable operating leases in respect of land and buildings expiring:

	2001	2000
	HK\$'000	<i>HK\$'000</i>
Within one year	4,072	1,360
In the second to fifth years, inclusive	7,093	1,583
	11,165	2,943

- (b) Commitments in respect of in-warehouse purchases and sales contracts undertaken for hedging purposes in the ordinary course of business existed at the balance sheet date.

The Company had no operating lease commitments or capital commitments at the balance sheet date (2000: Nil).

35. CONNECTED TRANSACTIONS

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

	2001	2000
	HK\$'000	<i>HK\$'000</i>
Rental income received	1,043	1,660
Rental expenses paid	460	423

The monthly rental was calculated by reference to open market rates. The independent non-executive directors of the Company have reviewed and confirmed that the above transactions are in accordance with the terms of the agreement governing such transactions.

Further details of transactions with LFH Forex are included in the section headed "Connected transactions" in the Report of the Directors.

36. RELATED PARTY TRANSACTIONS

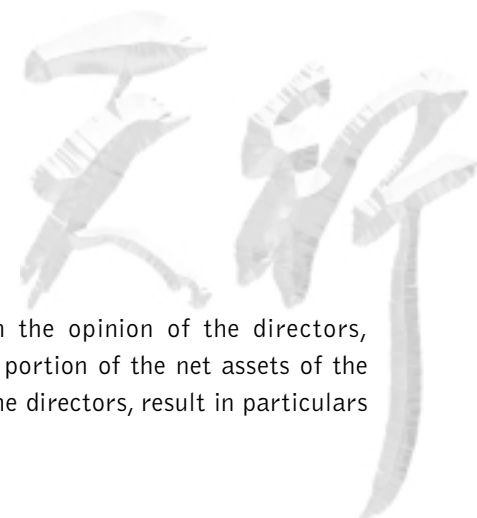
- (a) In addition to the connected transactions as set out in note 35 and the inter-group balances set out in notes 13, 14 and 15, the Group had the following material transactions with related parties during the year:

	<i>Notes</i>	2001 HK\$'000	2000 <i>HK\$'000</i>
Loan interest paid to a related company	<i>(i)</i>	126	446
Management fee paid to a related company	<i>(ii)</i>	221	233
Management fee received from a jointly-controlled entity	<i>(ii)</i>	280	280
Management fee received from an associate	<i>(ii)</i>	360	–
Management fee received from a related company	<i>(ii)</i>	405	–
Rental income received from a related company	<i>(iii)</i>	183	168
Rental expense paid to a related company	<i>(iii)</i>	804	796
Provision for loss on amount due from an associate		1,100	–

- (i) The interest paid to a related company arose from loans, further details of which, including the terms, are disclosed in note 26 to the financial statements.
- (ii) The management fees paid to a related company and received from a jointly-controlled entity were based on the actual cost incurred for management services provided.
- (iii) The monthly rental was calculated by reference to open market rates.
- (b) Cheung's Enterprise Holdings Limited, a substantial shareholder of the Company, 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\$184,720,000 as at 30 April 2001 (2000: HK\$200,944,000). Further details of this transaction are set out in the section headed "Practice Note 19" in the Report of the Directors.
- (c) Mr. Haywood Cheung, a director of the Company, has guaranteed banking facilities granted to a subsidiary of the Company totalling HK\$32,000,000 (2000: HK\$35,000,000). As at 30 April 2001, the banking facilities granted to a subsidiary of the Company were utilised to the extent of approximately HK\$7,963,000 (2000: Nil).

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37. PARTICULARS OF SUBSIDIARIES

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/paid up capital	Percentage of equity attributable to the Group		Principal activities
			2001 %	2000 %	
<u>Held directly</u>					
Firstmount International Limited	British Virgin Islands	US\$1	100	100	Investment holding
<u>Held indirectly</u>					
Alexis Resources Limited	British Virgin Islands	US\$100	100	50 ***	Investment holding
Bullion Road Limited	Hong Kong	HK\$100	85.59	95	Precious metals trading
Cheung's Financial Brokers Limited	Hong Kong	HK\$10,000	100	100	Investment holding
Cheung's Gold Dealers Limited	Hong Kong	HK\$10,000,000	100	100	Metal trading and property holding for rental purposes
Cheung's Gold Traders Limited	Hong Kong	HK\$5,000,000	100	100	Metal broking and trading
Cheung's Securities Brokers Limited	Hong Kong	HK\$10,000,000	100	100	Securities broking and trading and provision of margin financing

Notes to Financial Statements

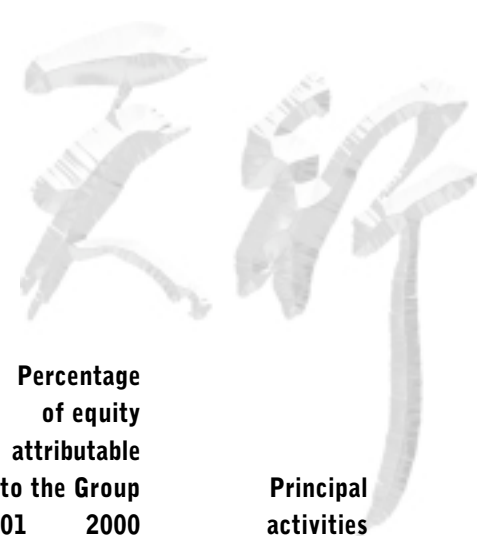
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37. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/paid up capital	Percentage of equity attributable to the Group		Principal activities
			2001 %	2000 %	
Excel Vision Development Limited	Hong Kong	HK\$1,000	100	100	Metal trading and property holding for rental purposes
Fastway Technology Limited	British Virgin Islands	US\$100	100	100	Provision of application services
Glad Up Investment Limited	Hong Kong	HK\$10,000	100	100	Metal trading and property holding for rental purposes
Kilmorey Bullion Company Limited	Hong Kong	HK\$12,000,000	100	100	Property holding for rental purposes
Lian-Rong Company Limited**	Taiwan	NT\$150,000,000	59.78	–	Operation not yet commenced
Lee Fung Hong Bullion Limited	Hong Kong	HK\$30,000,000	100	100	Property holding for rental purposes
Lee Fung Hong (Cheung's) Bullion Limited	Hong Kong	HK\$1,000,000	100	100	Metal broking and trading
Lee Fung Hong (International) Futures Limited	Hong Kong	HK\$10,000,000	100	100	Dormant
Next E-Capital Corp.	British Virgin Islands	US\$5,550,000	100	–	Investment holding

Notes to Financial Statements

30 April 2001



37. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/paid up capital	Percentage of equity attributable to the Group		Principal activities
			2001 %	2000 %	
Serrano Enterprises Limited	Hong Kong	HK\$20,000	100	100	Property holding
Simsen Capital Finance Limited	Hong Kong	HK\$1,000	100	100	Loan financing
Simsen Metals Company Limited	Hong Kong	Ordinary HK\$100 Deferred HK\$300,000 *	100	100	Metals trading and investment holding
Simsen Metals Trading Limited	Hong Kong	HK\$1,000	100	100	Metals trading
Simsen Precious Metals Limited	Hong Kong	HK\$10,000	100	100	Precious metals trading
Simsen Resources Limited	Hong Kong	HK\$10,000	80	80	Timber trading
Simsen Services Company Limited	Hong Kong	HK\$10,000	100	100	Provision of financial services
Topmost Resources Limited	British Virgin Islands	US\$100	100	100	Investment holding
Xinjiang Yakesi Resources Company Limited	Mainland China	RMB5,000,000	97	48.5 ***	Mining operations

* The non-voting deferred shares have no rights to dividends (other than a fixed non-cumulative dividend at a rate of 5 percent per annum for any financial year in respect of which the net profit available for dividend exceeds HK\$1,000,000,000) and no rights to vote at general meetings, but carry the rights to receive the balance of any surplus in return of capital in a winding-up after the holders of the ordinary shares have received a total return of HK\$100,000,000,000.

37. PARTICULARS OF SUBSIDIARIES (Continued)

** Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

*** Alexis Resources Limited and Xinjiang Yakesi Resources Company Limited were previously associates and became subsidiaries of the Group during the year.

38. POST BALANCE SHEET EVENTS

- (a) Subsequent to the balance sheet date on 5 May 2001, the Company entered into a sale and purchase agreement with an independent third party for the acquisition of a 10% equity interest in a private company for a cash consideration of NT\$160 million (equivalent to approximately HK\$37.9 million). The principal business of the investment is the operations of cable TV in Taiwan.
- (b) Subsequent to the balance sheet date on 7 June 2001, the Company entered into a letter of intent with Tem Fat Hing Fung (Holdings) Limited ("TFHF") for the possible disposal of cable TV broadband internet services and network in Mainland China and Taiwan to TFHF, at a consideration to be satisfied by the issue of shares of TFHF at an issue price to be agreed. Up to date, there is no further development.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 29 August 2001.