

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

These interim financial statements are unaudited and have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and in compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The basis of preparation and accounting policies adopted in preparing these interim financial statements are the same as those adopted in preparing the Company's annual financial statements for the year ended 30 April 2001, except that the Group has changed certain of its accounting policies following the adoption of the following new or revised SSAPs which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

### 2. Segmental information

An analysis of the turnover and contribution to the Group's profit/(loss) from operating activities by principal activity and geographical area of operations for the period is as follows:

	For the six months ended 31 October			
	2001		2000	
	Turnover (Unaudited) HK\$'000	Contribution to operating profit/(loss) (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Contribution to operating profit/(loss) (Unaudited) HK\$'000
By principal activity:				
Bullion, securities and futures contracts broking and trading business and margin financing (Note a)	17,354	7,537	20,797	38,149
Loan financing	187	186	1,925	1,935
Shipment sales – Metals	39,887	(7,401)	2,568	(1,204)
– Metal scraps	–	–	9,783	111
– Others	1,206	(108)	8,508	247
In-warehouse metals sales	95,404	2,198	1,353,980	(11,625)
Property investment	4,589	(3,904)	2,559	396
Investment holding (Note b)	–	(373,054)	–	–
	<b>158,627</b>	<b>(374,546)</b>	1,400,120	28,009
By geographical area:				
The People's Republic of China (the "PRC")				
Hong Kong	39,712	(291,354)	34,932	42,840
Mainland China	10,596	(80,902)	8,508	433
United Kingdom	95,404	1,822	1,355,490	(14,911)
Others	12,915	(4,112)	1,190	(353)
	<b>158,627</b>	<b>(374,546)</b>	1,400,120	28,009

*Note:*

- a. The contribution to operating profit included profit on disposal of non-trading investments of HK\$13,906,000 for the six months ended 31 October 2001 (2000: HK\$40,901,000).
- b. The contribution to operating loss of "Investment holding" represented the impairment losses as explained in note 3 below.

**3. Impairment losses**

	For the six months ended 31 October	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Impairment loss on intangible assets	48,352	-
Impairment loss on investments in securities	20,196	-
Impairment loss on goodwill reserve	304,506	-
	<hr/>	
	373,054	-
	<hr/>	

Impairment losses are provided on the non-trading unlisted investments, goodwill reserve arising on consolidation of subsidiaries and acquisition of associates, and intangible assets. Goodwill arising on consolidation of subsidiaries and acquisition of associates was previously eliminated against reserves, and is not reinstated at the time of adoption of SSAP 30 ("Business Combinations") and SSAP 31 ("Impairment of Assets"). Any impairment in value of the non-trading unlisted investments, goodwill and intangible assets, as determined by the Directors on a prudent basis, is recognised as expenses in the profit and loss account.



#### 4. Profit/(Loss) from Operating Activities

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

	For the six months ended 31 October	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Auditors' remuneration	400	-
Directors' remuneration:		
Fees	-	-
Other emoluments	1,676	1,536
Amortisation charged:		
Intangible assets	1,110	622
Depreciation charged:		
Leasehold land and buildings	950	1,217
Leasehold improvements	717	662
Plant and machinery	446	-
Furniture, equipment and motor vehicles	1,220	1,064
	<hr/>	<hr/>
	3,333	2,943
Cost of inventories sold	134,462	1,388,032
Operating lease rentals on land and buildings	2,374	3,666
Loss on disposal of fixed assets	-	5
Unrealised holding (profit)/loss on trading investments	(1,583)	5,244
Profit on disposal of non-trading investments	(13,906)	(40,901)
Profit on disposal of trading investments	(2,103)	-
Staff costs (including directors' remuneration):		
Wages and salaries	16,051	13,222
Contribution to defined contributions pension scheme	649	296
Less: Forfeited contributions refunded/offset	(126)	-
	<hr/>	<hr/>
Net pension contributions	523	296
Total staff costs	<hr/>	<hr/>
	16,574	13,518
Gross rental income	(4,511)	(2,559)
Less: Outgoings	81	28
	<hr/>	<hr/>
Net rental income	(4,430)	(2,531)
Dividend income from listed investments	(399)	(226)
Write back of provision for a legal claim	(7,000)	-
Provision for loss on other long term assets	5,715	-
Provision for doubtful debts	8,071	-

#### 5. Finance costs

	For the six months ended 31 October	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	8,068	10,261

## 6. Taxation

	For the six months ended 31 October	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Group:		
Hong Kong	-	-
Overprovision in prior period	(221)	-
	<hr/>	<hr/>
	(221)	-
Share of tax attributable to associates	-	152
Share of tax attributable to jointly-controlled entities	473	-
	<hr/>	<hr/>
Tax charge for the period	252	152

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

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

## 7. Earnings/(Loss) per share

- (a) The basic earnings/(loss) per share is calculated based on the unaudited consolidated net loss attributable to shareholders for the period of HK\$385,417,000 (2000: profit of HK\$21,119,000) and on 2,272,160,000 ordinary shares in issue (2000: weighted average of 1,824,375,652 ordinary shares).
- (b) Diluted earnings/(loss) per share for the periods ended 31 October 2001 and 2000 have not been calculated as no diluting events existed during both periods.

## 8. Fixed assets

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1 May 2001	69,275	7,956	10,486	13,638	101,355
Additions	-	570	41	1,173	1,784
Disposals	-	-	-	(7)	(7)
<b>At 31 October 2001</b>	<b>69,275</b>	<b>8,526</b>	<b>10,527</b>	<b>14,804</b>	<b>103,132</b>
Accumulated depreciation:					
At 1 May 2001	4,412	3,810	911	8,119	17,252
Provided during the period	950	717	446	1,220	3,333
Disposals	-	-	-	(6)	(6)
<b>At 31 October 2001</b>	<b>5,362</b>	<b>4,527</b>	<b>1,357</b>	<b>9,333</b>	<b>20,579</b>
Net book value:					
<b>At 31 October 2001</b>	<b>63,913</b>	<b>3,999</b>	<b>9,170</b>	<b>5,471</b>	<b>82,553</b>
At 30 April 2001	64,863	4,146	9,575	5,519	84,103

## 9. Investments in securities

	At 31 October 2001 (Unaudited) HK\$'000	At 30 April 2001 (Audited) HK\$'000
Investment in securities, classified as non-current assets		
Unlisted equity investment in Hong Kong, at fair value	485	22,425
Unlisted equity investment outside Hong Kong, at fair value	48,347	20,164
	<hr/> 48,832	<hr/> 42,589
Investment in securities, classified as current assets		
Listed equity investment in Hong Kong, at market value	33,425	52,972
	<hr/> 33,425	<hr/> 52,972

## 10. 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;
- (c) open credit of 30-90 days.

The aged analysis of trade receivables is as follows:

	At 31 October 2001 (Unaudited) HK\$'000	At 30 April 2001 (Audited) HK\$'000
0 – 30 days	62,140	48,077
31 – 60 days	1,017	12,665
61 – 90 days	87	2,899
Over 90 days	10,420	18,565
	<hr/> 73,664	<hr/> 82,206

## 11. Trade payables

The aged analysis of trade payables is as follows:

	At 31 October 2001 (Unaudited) HK\$'000	At 30 April 2001 (Audited) HK\$'000
0 – 30 days	41,699	35,809
31 – 60 days	48	418
61 – 90 days	41	1
Over 90 days	105	1,975
	<hr/> 41,893	<hr/> 38,203

## 12. Share capital

### Shares

	At 31 October 2001 (Unaudited) HK\$'000	At 30 April 2001 (Audited) HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.10 each	500,000	500,000
Issued and fully paid:		
2,272,160,000 ordinary shares of HK\$0.10 each	227,216	227,216

### 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 period.

As at 31 October 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 31 October 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.

### 13. 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 2001	1,099,997	(304,506)	4,176	120	(3,142)	5,372	(692,950)	109,067
Arising on investment in an associate	–	–	9,462	–	–	–	–	9,462
Exchange realignment	–	–	–	–	(850)	–	–	(850)
Movement in fair value	–	–	–	–	–	(11,290)	–	(11,290)
Release on disposals	–	–	–	–	–	(9,151)	–	(9,151)
Transfer to general reserve	–	–	–	251	–	–	(251)	–
Impairment loss on goodwill reserve	–	304,506	–	–	–	–	–	304,506
Net loss for the period	–	–	–	–	–	–	(385,417)	(385,417)
At 31 October 2001	1,099,997	–	13,638	371	(3,992)	(15,069)	(1,078,618)	16,327

### 14. Contingent liabilities

At 31 October 2001, there were contingent liabilities not provided for in the condensed financial statements as follows:

	<b>At 31 October 2001 (Unaudited) HK\$'000</b>	At 30 April 2001 (Audited) HK\$'000
Guarantee for banking facilities granted to subsidiaries	<b>193,782</b>	28,133

### 15. Connected transactions

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

	<b>For the six months ended 31 October 2001 (Unaudited) HK\$'000</b>	2000 (Unaudited) HK\$'000
Rental income received	<b>295</b>	554
Rental expenses paid	<b>107</b>	230

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

## 16. Related party transactions

- (a) In addition to the connected transactions as set out in note 15 and other inter-group transactions, the Group had the following material transactions with related parties during the period:

		For the six months ended 31 October	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Loan interest paid to a related company	(i)	–	126
Management fee paid to a related company	(ii)	115	110
Management fee received from:	(ii)		
a jointly-controlled entity		140	140
an associate		300	180
a related company		202	202
Rental income received from a related company	(iii)	875	90
Rental expense paid to a related company	(iii)	409	398
Purchases of goods from a jointly-controlled entity	(iv)	19,890	–

- (i) The interest paid to a related company arose from loans from a related company which is unsecured, bears interest at the London Interbank Offered Rate plus 2 percent per annum and has no fixed terms of repayment.
- (ii) The management fees paid and received were based on actual cost incurred for management services provided.
- (iii) The monthly rental was calculated by reference to open market rates.
- (iv) The purchases were priced by reference to open market value.
- (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\$176,889,000 as at 31 October 2001 (30 April 2001: HK\$184,720,000).
- (c) Mr. Haywood Cheung, a director of the Company, has guaranteed banking facilities granted to a subsidiary of the Company totalling HK\$46,350,000 (30 April 2001: HK\$32,000,000). As at 31 October 2001, the banking facilities granted to a subsidiary of the Company were utilised to the extent of approximately HK\$4,047,000 (30 April 2001: HK\$7,963,000).
- (d) A subsidiary of the Company has pledged its 49% equity interest in a jointly-controlled entity to the joint venture partner for the joint venture partner guaranteeing a bank loan of HK\$2,336,000 (30 April 2001: Nil) to the jointly-controlled entity.



**17. *Event after the balance sheet date***

Subsequent to the balance sheet date on 22 January 2002, the Company announced a proposal on capital reorganization which will be put forward for approval by the shareholders of the Company at a special general meeting to be convened. The proposed capital reorganization includes:

1. the reduction in the issued and paid-up share capital of the Company from HK\$0.10 per share to HK\$0.001 per share by the cancellation of HK\$0.099 paid up on each of the existing shares in issue;
2. the reduction in the share premium account of the Company to the extent to eliminate the accumulated losses of the Company as at 31 October 2001 in full;
3. the consolidation of every 10 intermediate shares of HK\$0.001 each into 1 new ordinary share of HK\$0.01 each; and
4. the cancellation of the authorized but unissued share capital of the Company and subsequent increase in the authorized share capital of the Company back to its original amount of HK\$500,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.01 each.

The capital reorganization will not adversely affect the financial position of the Company and its subsidiaries, except for the payment of the related expenses.

**18. *Approval of the interim financial statements***

These interim financial statements were approved by the Board of Directors on 22 January 2002.