

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim accounts have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of HK\$748,165,000 and deficiency in assets of HK\$657,530,000 as at 31st October 2001. On 25th May 2001, the Group's promissory note holder filed writs of summons to demand for the repayment of amounts due and petition for the winding-up of the Company. On 19th September 2001, the Company entered into a standstill agreement (the "Standstill Agreement") with certain creditors and bankers including the above promissory note holder (collectively, the "Creditors"). Pursuant to the Standstill Agreement, the Creditors agreed to take no action to recover their claims in consideration that the Company will procure to carry out debt restructuring exercise. Since the Standstill Agreement was expired on 31st December 2001, no Creditors have taken any actions against the Company and on 9th May 2002, the Company entered into a proposed debt restructuring agreement (the "Restructuring Proposal") with the Creditors and a potential investor (the "Investor"). The principal terms and conditions of the Restructuring Proposal have been set out in the Company's annual report for the year ended 30th April 2001.

In light of the measures taken to date, together with the expected results from the Restructuring Proposal, it is considered that it is appropriate to prepare the unaudited condensed consolidated interim accounts on a going concern basis. The unaudited condensed consolidated interim accounts do not incorporate any adjustments for possible failure of the Restructuring Proposal and the continuance of the Group as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these potential adjustments has not been reflected in the unaudited condensed consolidated interim accounts.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The principal accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 30th April 2001, except that the following new/revised SSAPs have been adopted for the first time in the preparation of the current period's unaudited condensed consolidated interim accounts:

SSAP 14 (Revised) "Leases"

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the accounts, therefore no prior year adjustment is required.

SSAP 30 "Business combinations"

Previously, goodwill arising on consolidation/acquisition of subsidiaries and jointly controlled entities is eliminated against reserves in the year of acquisition. In accordance with SSAP 30 which is effective for accounting period beginning on or after 1st January 2001, goodwill arising from acquisitions is capitalised and is amortised to the profit and loss account on a straight line basis over its estimated useful life not exceeding 20 years. Any impairment of the goodwill will be recognised as an expense in the profit and loss account.

2. **BASIS OF PREPARATION** (continued)

SSAP 30 “Business combinations” (continued)

The Group has taken advantage of the transitional provisions of SSAP 30 by not restating negative goodwill previously taken to reserves in which it arises. The directors consider that the negative goodwill totalling HK\$41,796,000 (note 15) was quantified and recognised in prior periods will be credited to the profit and loss account at the time of disposal of the relevant jointly controlled entities by the Group.

SSAP 31 “Impairment of assets”

SSAP 31 prescribes the procedures to be applied to ensure the assets are carried at not more than their recoverable amounts. The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of its assets as the present value of estimated future cash flows together with estimated disposal proceeds at the end of their useful life. The Group is required to assess at each balance sheet date whether there are any indications that assets may be impaired, and if there are such indication, the recoverable amounts of assets are to be determined. Any resulting impairment losses identified are charged to the profit and loss account.

3. **TURNOVER AND CONTRIBUTION**

The principal activity of the Company is investment holding. The principal activities of its subsidiaries and jointly controlled entities are property development and investment holding, provision of financial services and trading in listed investments.

An analysis of the Group’s turnover and contributions to operating loss net of finance costs by principal activities and by geographical markets for the six months ended 31st October 2001 is as follows:

By principal activities:

	Unaudited Turnover Six months ended 31st October		Unaudited Contributions to operating loss net of finance costs Six months ended 31st October	
	2001	2000	2001	2000
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Continuing operations:				
Property investment and management consultancy and agency	2,788	5,436	(4,189)	(8,095)
Corporate investment and financial services	8,119	1,980	(94,895)	(51,551)
Discontinuing operations (note):				
Sales of gold bullion and bullion financing	-	1,647,693	-	11,181
Sales of jewellery products	-	25,252	-	244
	<u>10,907</u>	<u>1,680,361</u>	<u>(99,084)</u>	<u>(48,221)</u>
Loss on disposal of investment in preference shares of a subsidiary			-	(24,628)
			<u>(99,084)</u>	<u>(72,849)</u>

3. **TURNOVER AND CONTRIBUTION** (continued)

Note:

As disclosed in the annual report for the year ended 30th April 2001, the discontinuing operations mainly related to the business activities carried out by RNA Holdings Limited (“RNA”) and its subsidiaries (the “RNA Group”), including sales of gold bullion and bullion financing.

By geographical markets:

	Unaudited Turnover Six months ended 31st October 2001 HK\$'000	Unaudited Contributions to operating loss net of finance costs Six months ended 31st October 2001 HK\$'000
Continuing operations:		
Hong Kong and People's Republic of China	9,622	(100,201)
Malaysia	1,285	1,117
	<u>10,907</u>	<u>(99,084)</u>

No analysis of the Group's turnover and contributions to operating loss net of finance costs by geographical markets for the period ended 31st October 2000 is presented as more than 90% of the Group's turnover and operating loss were generated in Hong Kong.

4. **OPERATING LOSS**

Operating loss is stated after crediting and charging the following:

	2001 HK\$'000	Unaudited Six months ended 31st October 2000 HK\$'000
Crediting:		
Gain on disposal of fixed assets	555	–
Charging:		
Staff costs	9,296	20,564
Loss on disposal of investment in preference shares of a subsidiary	–	24,628
Depreciation	116	7,149
Operating leases on land and buildings	2,464	6,722
Provision for impairment losses of short term listed investments	<u>48,020</u>	<u>–</u>

5. SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

	Unaudited Six months ended 31st October	
	2001 HK\$'000	2000 HK\$'000
Share of profits less losses of associates	<u> -</u>	<u> (131,538)</u>

Notes:

- (a) Included in the Group's share of profits less losses of associates of HK\$131,538,000 in 2000, the profits of HK\$3,996,000 and losses of HK\$135,476,000 are attributable to RNA and Can Do Holdings Limited ("Can Do") respectively.
- (b) As disclosed in last period's interim report as at 31st October 2000, a conditional sale and purchase agreement was entered into between Chimstar Limited ("Chimstar") and its shareholders on 24th June 2000 to reorganise their indirect shareholdings in RNA Group held through Chimstar. Pursuant to the agreement, which was completed on 18th August 2000, Chimstar sold its 11.72% beneficial interest in RNA Group to third-party shareholders for a consideration of approximately HK\$33 million. Accordingly, the results of RNA Group for the period from 1st May 2000 to 18th August 2000, the date on which the controlling interest in RNA Group was divested, were consolidated as subsidiaries in the Group's results. With effect from 18th August 2000, RNA Group became an associate of the Group with its results being accounted for by using equity method in the Group's accounts. In the Group's interim accounts as at 31st October 2000, the Group's share of profits of RNA Group for the period from 18th August 2000 to 31st October 2000 and the tax thereon amounted to HK\$3,996,000 and HK\$215,000 (note 6) respectively.

As disclosed in the annual report as at 30th April 2001, the Group's equity interests in RNA Group were reduced and diluted to approximately 29.6% as at 30th April 2001 and approximately 2.17% as at the date of approval of the annual report. Therefore, the directors are of the opinion that it is more appropriate to reclassify the Group's attributable interests in the RNA Group from "interest in an associate" to "short term listed investment" in the preparation of the Group's consolidated accounts for the year ended 30th April 2001.

For the preparation of these interim accounts, the directors consider that the above reclassification does not have a material effect on last period's condensed consolidated profit and loss account and restatement of comparative figures is not necessary. Hence the proceeds on sales of the RNA shares by the Group during the period under review have been regarded as part of the Group's normal course of business and have been included as the Group's turnover in this condensed consolidated profit and loss account.

- (c) As disclosed in the annual report as at 30th April 2001, the Group's equity interest in Can Do was diluted to approximately 15.83% as at the date of approval of the annual report. The directors are also of the opinion that it is more appropriate to reclassify the Group's attributable interest in Can Do as "short term listed investment" instead of "interest in an associate" in the preparation of the Group's consolidated accounts for the year ended 30th April 2001. Accordingly, the proceeds on sales of the shares of Can Do by the Group during the period under review have been regarded as part of the Group's normal course of business and have been included as the Group's turnover in the condensed consolidated profit and loss account.
- (d) No updated financial information related to other associates are made available for the preparation of these interim accounts. The directors consider that no activities are carried out by those associates during the period and do not have a material effect on the condensed consolidated profit and loss account.

6. TAXATION

No provision for Hong Kong profits tax is made in the accounts as the Group has no assessable profit for the period (2000: 16%). 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 unaudited condensed consolidated profit and loss account represents:

	Unaudited Six months ended 31st October	
	2001	2000
	HK\$'000	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	–	132
Overseas taxation	24	23
	24	155
Associates:		
Hong Kong profits tax	–	215
	24	370

7. DIVIDENDS

	Unaudited Six months ended 31st October	
	2001	2000
	HK\$'000	HK\$'000
Preference dividend payable of HK\$0.151 per preference share on 2,549,990 preference shares (2000: HK\$0.151 on 2,551,990 preference shares)	385	385

Preference dividend is paid at 6% per annum on the notional value of HK\$5 per preference share to be paid half yearly on 30th June and 31st December in each year.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders after preference dividend for the six months ended 31st October 2001 of HK\$104,525,000 (six months ended 31st October 2000: HK\$216,534,000) and on the weighted average of 3,691,506,435 (2000: 2,317,576,566) ordinary shares in issue during the period.

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

9. JOINTLY CONTROLLED ENTITIES

	Unaudited As at 31st October 2001 HK\$'000	Audited As at 30th April 2001 HK\$'000
Share of net liabilities	(62,088)	(57,056)
Amounts due from jointly controlled entities	125,256	124,012
Amounts due to jointly controlled entities	(20)	(20)
	<u>63,148</u>	<u>66,936</u>

The Company has provided corporate guarantees to certain overseas banks in respect of credit facilities granted to its jointly controlled entities. The amount of these facilities drawn down was approximately HK\$160,155,000 as at 31st October 2001, which has been disclosed as part of the Group's contingent liabilities (note 17). As the jointly controlled entities have breached the covenants of the agreements for these guaranteed borrowings, the Company has received several notices for demand payments of certain amount of these outstanding borrowings around the year end of 2001. In addition, the financial creditors of three jointly controlled entities have appointed a receiver and manager to take over the management of these jointly controlled entities subsequent to the balance sheet date. Due to the uncertainty surrounding this receivership at this stage, it is not possible to quantify the financial effect to the Group which should be provided for in the preparation of the Group's accounts.

10. INVESTMENT SECURITIES

	Unaudited As at 31st October 2001 HK\$'000	Audited As at 30th April 2001 HK\$'000
Unlisted equity securities at cost	38,000	38,000
Provision for impairment loss	(38,000)	(38,000)
	<u>-</u>	<u>-</u>

This investment represents 3.8% equity interest held in Global Cyber Limited, an unlisted company incorporated in the British Virgin Islands. In the opinion of the directors, due to the time constraint in obtaining adequate financial information regarding the carrying value of this investment as at 31st October 2001, full provision for impairment loss of this investment has been made in the accounts.

11. SHORT TERM LISTED INVESTMENTS

	Unaudited As at 31st October 2001 HK\$'000	Audited As at 30th April 2001 HK\$'000
Equity securities – listed in Hong Kong At market value	<u>51,921</u>	<u>110,781</u>

Particulars of the major listed investments are as follows:

Name	Place of incorporation/ operation	Attributable equity interest to the Group	Principal activities
RNA Holdings Limited	Bermuda/Hong Kong	11.92%	Investment holding
Can Do Holdings Limited	Hong Kong	22.73%	Property development and investment

As at 31st October 2001, all of the above listed investments were pledged to banks and financial creditors to secure general banking facilities granted to the Group.

12. LOAN, TRADE AND OTHER RECEIVABLES

	Unaudited As at 31st October 2001 HK\$'000	Audited As at 30th April 2001 HK\$'000
Trade debtors	–	4,851
Loan receivables	–	1,157
Other receivables	341	8,065
	<u>341</u>	<u>14,073</u>

12. LOAN, TRADE AND OTHER RECEIVABLES (continued)

The ageing analysis of trade debtors is as follows:

	Unaudited As at 31st October 2001 <i>HK\$'000</i>	Audited As at 30th April 2001 <i>HK\$'000</i>
0-3 months	-	222
Over 3 months	-	4,629
	<u>-</u>	<u>4,851</u>
	<u><u>-</u></u>	<u><u>4,851</u></u>

The maturity of loan receivables is analysed as follows:

	Unaudited As at 31st October 2001 <i>HK\$'000</i>	Audited As at 30th April 2001 <i>HK\$'000</i>
Repayable on demand	-	-
Within one year	-	1,157
	<u>-</u>	<u>1,157</u>
	<u><u>-</u></u>	<u><u>1,157</u></u>

13. TEMPORARY DEPOSITS, ACCOUNTS PAYABLE AND ACCRUALS

As at 31st October 2001, the balance mainly represented deposits received, other payables and accrued expenses. As at 31st October 2001, no trade payable exists.

14. SHARE CAPITAL

	Ordinary		6% Convertible		Total
	shares of HK\$0.025 each		cumulative redeemable	preference shares of HK\$1 each	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:					
At 30th April 2001 and at 31st October 2001	<u>6,800,000,000</u>	<u>170,000</u>	<u>100,000,000</u>	<u>100,000</u>	<u>270,000</u>
Issued and fully paid:					
At 30th April 2001	2,877,392,631	71,935	2,551,990	2,552	74,487
Redemption of shares (<i>note a</i>)	–	–	(2,000)	(2)	(2)
Issue of shares (<i>note b</i>)	<u>1,345,171,110</u>	<u>33,629</u>	<u>–</u>	<u>–</u>	<u>33,629</u>
At 31st October 2001	<u>4,222,563,741</u>	<u>105,564</u>	<u>2,549,990</u>	<u>2,550</u>	<u>108,114</u>

Note:

- (a) On 29th May 2001, 2,000 shares of 6% convertible cumulative redeemable preference shares of HK\$1 each were redeemed by a shareholder at a redemption price of HK\$5 per share. An amount of profit of HK\$2,000 was transferred to capital redemption reserve (note 15) and the share premium account (note 15) was reduced by HK\$8,000 as a result thereof.
- (b) On 3rd May 2001, the Company granted 200 million share options, exercisable at a subscription price of HK\$0.026 per share, under the share option scheme (“Scheme”) to employees of the Company for the subscription of new ordinary shares in the Company. 80 million share options were exercised on 4th May 2001 and another 80 million were exercised on 7th May 2001. The remaining balance of 40 million share options were exercised on 9th May 2001. They resulted in the issue and allotment of 200 million new ordinary shares in the Company of HK\$0.026 each for a total cash consideration received of HK\$5,200,000.

On 8th May 2001, the Company granted a further 19 million share options, exercisable at a subscription price of HK\$0.026 per share under the Scheme. The share options were exercised on 9th May 2001 and resulted in the issue and allotment of 19 million new ordinary shares of HK\$0.026 each in the Company for a total cash consideration received of HK\$494,000.

On 15th May 2001, the Company entered into subscription agreements with certain creditors of the Company relating to a subscription of a total of 1,543,245,361 new ordinary shares at a subscription price of HK\$0.027 per share. On 4th June 2001, the Company and one of the creditors agreed to terminate a subscription agreement for the subscription of 417,074,251 new ordinary shares. The remaining balance of 1,126,171,110 new ordinary shares of HK\$0.027 each was subscribed and resulted in the issue and allotment of new ordinary shares on 24th July 2001. The net proceeds of approximately HK\$30,400,000 were used by the Company to offset the existing debts owed to the creditors.

All of the above new shares rank *pari passu* with the existing shares in all respects.

15. RESERVES

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st May 2001	669,303	41,796	2,239	(38,834)	(1,338,081)	(663,577)
Issue of ordinary shares	2,471	–	–	–	–	2,471
Share issue expenses	(5)	–	–	–	–	(5)
Premium on redemption of preference shares	(8)	–	–	–	–	(8)
Transfer on redemption of preference shares	–	–	2	–	(2)	–
Loss for the period	–	–	–	–	(104,140)	(104,140)
Dividends	–	–	–	–	(385)	(385)
	<u>671,761</u>	<u>41,796</u>	<u>2,241</u>	<u>(38,834)</u>	<u>(1,442,608)</u>	<u>(765,644)</u>
At 31st October 2001	<u>671,761</u>	<u>41,796</u>	<u>2,241</u>	<u>(38,834)</u>	<u>(1,442,608)</u>	<u>(765,644)</u>
Retained by:						
Company and subsidiaries	671,761	–	2,241	5,023	(1,355,870)	(676,845)
Jointly controlled entities	–	41,796	–	(43,857)	(86,738)	(88,799)
	<u>671,761</u>	<u>41,796</u>	<u>2,241</u>	<u>(38,834)</u>	<u>(1,442,608)</u>	<u>(765,644)</u>
At 31st October 2001	<u>671,761</u>	<u>41,796</u>	<u>2,241</u>	<u>(38,834)</u>	<u>(1,442,608)</u>	<u>(765,644)</u>

16. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these interim accounts, the significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Unaudited Six months ended 31st October	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Rental paid to an investee company	2,354	–
Interest income received from associates	–	11,211
Consultancy fee received from jointly controlled entities	<u>1,200</u>	<u>1,200</u>

17. CONTINGENT LIABILITIES

	Unaudited 31st October 2001 <i>HK\$'000</i>	Audited 30th April 2001 <i>HK\$'000</i>
Guarantees have been given in respect of banking facilities made available to jointly controlled entities (an amount of HK\$160,155,000 was utilised as at 31st October 2001 (as at 30th April 2001: HK\$160,155,000))	160,155	160,155
Guarantees in respect of certain obligations of an investee company	–	148,000
Others	<u>3,000</u>	<u>3,000</u>
	<u><u>163,155</u></u>	<u><u>311,155</u></u>

18. COMMITMENTS UNDER OPERATING LEASES

At 31st October 2001, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited 31st October 2001 <i>HK\$'000</i>	Audited 30th April 2001 <i>HK\$'000</i>
Land and buildings		
– within one year	3,000	3,694
– after one and within five years	<u>4,500</u>	<u>6,000</u>
	<u><u>7,500</u></u>	<u><u>9,694</u></u>

The lease runs for an initial period of five years commencing from 3rd May 1999.

19. SUBSEQUENT EVENTS

Subsequent to the balance sheet date and up to the date of approval of these interim accounts, 114 million ordinary shares of RNA which are now regarded as short term listed investment (note 11) were further foreclosed. In addition, 9,410 million of new ordinary shares of RNA were issued and allotted to other parties after the period end date and up to the date of approval of these interim accounts. As a result, the Group's equity interests in RNA Group were reduced and diluted to approximately 2.17% as at the date of approval of these interim accounts.

Subsequent to the balance sheet date, 372 million of new ordinary shares of Can Do which is now regarded as short term listed investment were issued and allotted to other parties. As a result, the Group's equity interests in Can Do were further diluted to approximately 15.83% as at the date of approval of these interim accounts.

20. COMPARATIVE FIGURES

In the current period, the Company has adopted the new/revised SSAPs for the first time. The presentation in the current period's accounts has been modified in order to conform with the requirements of these standards. Comparative amounts have been restated in order to achieve a consistent presentation.