



## 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. BASIS OF PRESENTATION

At the balance sheet date, the Group recorded a net loss attributable to the shareholders of approximately HK\$510,266,000 and net current liabilities of approximately HK\$28,578,000.

Subsequent to the balance sheet date, one of the bankers of the Group withdraw an overdraft facility of approximately HK\$13,100,000 previously granted to the Group and which remained overdue as at the date of approval of these financial statements. The Group is currently under negotiations with the banker to reschedule the overdraft and to seek its ongoing support to the Group. In the meantime, the Group remains dependent upon the continued support of the bankers.

To strengthen the capital base of the Group and to improve its financial position, immediate liquidity, cash flows, profitability and operations, the directors have adopted and are in the process of implementing the following measures:

- (a) Subsequent to the balance sheet date, the Group successfully entered into (1) a subscription agreement to raise HK\$23 million in cash by means of private placements of new shares of the Company and issue of a 2% convertible note due on 2004 and (2) various subscription agreements to raise HK\$16 million by means of private placements of new shares of the Company. The completion of the subscriptions is conditional to the passing of the necessary resolutions by the shareholders of the Company at a special general meeting;
- (b) The directors are considering various alternatives to increase the capital base of the Group through various fund raising exercises, including, but not limited to, the issue of convertible bonds with a view to raising an estimated amount of HK\$150 million. The directors estimate that the fund raising plans will be finalised in the next few months;
- (c) The directors are in active negotiations with a banker of the Group to reschedule the repayment of its overdue and outstanding overdraft and to seek the banker's ongoing support of the Group; and

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## 2. BASIS OF PRESENTATION (continued)

- (d) The directors have taken action to tighten cost controls over various general and administrative expenses.

In the opinion of the directors, in light of the measures taken to date and the expected outcome of other measures in progress, the Group will have sufficient working capital for its current operational requirements and will return to a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial position and tight cash flows as at 30 April 2002.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments have not been reflected in the financial statements.

## 3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretation are effective for the first time for the current year's financial statements and have a significant effect on the financial statements:

- SSAP 14 (Revised) : "Leases"
- SSAP 26 : "Segment reporting"
- SSAP 29 : "Intangible assets"
- SSAP 30 : "Business combinations"
- SSAP 31 : "Impairment of assets"
- Interpretation 13 : "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs and Interpretation are summarised as follows:





### 3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (continued)

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and 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 financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 38 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group’s predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The SSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation (see note 20), whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the balance sheet.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 4 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. Further details of the effects of adopting the SSAP and Interpretation are included in notes 16 and 34 to the financial statements.

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## 3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (continued)

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

## 4. 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 periodic 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 2002. 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

### **Joint venture companies**

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.





## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Joint venture companies (continued)

A joint venture company is treated as:

- (a) a subsidiary, if the Group has unilateral control over the joint venture company;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control over the joint venture company;
- (c) an associate, if the Group does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Group holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

### Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

### 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.

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Associates (continued)

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 impairment losses.

### Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 May 2001, to remain eliminated against consolidated reserves.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.





## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates and jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 May 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on 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.

# Notes to Financial Statements

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Impairment of assets**

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### **Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. 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.







## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fixed assets and depreciation (continued)

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.

### 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.

### 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 and any impairment losses.

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

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Mining rights**

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The cost of mining rights is amortised on the 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 any impairment losses, 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.

### **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.





## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **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.

### **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

### **Cash equivalents**

For the purpose of the consolidated cash flow statement, 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. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.

### **Deferred tax**

Deferred tax is provided, using the liability method, on all significant timing differences 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.

### **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:

- from 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;

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

- 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.

### 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 subsidiaries, 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.

### 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.



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## 5. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

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

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

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

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## 5. SEGMENT INFORMATION (continued)

### (a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group (denominated in HK\$'000)

	Securities		Shipment sales		In-warehouse metal sales		Corporate and Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
<b>Revenue:</b>										
Sales to external customers	10,372	23,472	68,968	55,022	135,237	1,556,120	10,154	9,266	224,731	1,643,880
Other revenue and gains	7,857	47,040	-	8,293	-	-	-	10,673	7,857	66,006
<b>Total revenue</b>	<b>18,229</b>	<b>70,512</b>	<b>68,968</b>	<b>63,315</b>	<b>135,237</b>	<b>1,556,120</b>	<b>10,154</b>	<b>19,939</b>	<b>232,588</b>	<b>1,709,886</b>
<b>Segment results</b>	<b>(215,917)</b>	<b>11,357</b>	<b>(32,472)</b>	<b>20</b>	<b>2,207</b>	<b>573</b>	<b>(231,009)</b>	<b>(277,462)</b>	<b>(477,191)</b>	<b>(265,512)</b>
Interest, dividend income and unallocated revenue									11,049	6,457
Unallocated expenses									(23,316)	(7,677)
Loss from operating activities									(489,458)	(266,732)
Finance costs									(17,644)	(20,798)
Share of profits and losses of:										
- jointly-controlled entities									3,789	4,380
- associates									(6,234)	503
Loss before tax									(509,547)	(282,647)
Tax									(847)	(134)
Loss before minority interests									(510,394)	(282,781)
Minority interests									128	17
Net loss attributable to shareholders									(510,266)	(282,764)



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## SEGMENT INFORMATION (continued)

### (a) Business segments (continued)

Group (denominated in HK\$'000)

	Securities		Shipment		In-warehouse metal sales		Corporate and Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Segment assets	109,866	164,400	73,491	137,769	9,217	8,634	226,553	316,451	419,127	627,254
Interests in associates	-	-	3,160	(39)	-	-	10,400	2,875	13,560	2,836
Interests in jointly- controlled entities	-	-	26,804	35,208	-	-	-	-	26,804	35,208
Unallocated assets									4,217	78
<b>Total assets</b>									<b>463,708</b>	<b>665,376</b>
Segment liabilities	66,323	93,107	54,714	26,260	10,032	7,507	190,308	199,519	321,377	326,393
Unallocated liabilities									9,026	2,572
<b>Total liabilities</b>									<b>330,403</b>	<b>328,965</b>
Other segment information:										
Depreciation and amortisation	3,506	3,608	2,958	3,479	-	-	1,761	1,535	8,225	8,622
Impairment losses recognised in the profit and loss account	196,265	-	36,558	-	-	-	167,777	284,951	400,600	284,951
Deficit/(surplus) on revaluation of investment properties recognised in the profit and loss account	-	-	-	-	-	-	32,580	(9,930)	32,580	(9,930)
Capital expenditure	2,187	5,339	1,009	15,652	-	-	4,690	605	7,886	21,596

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## 5. SEGMENT INFORMATION (continued)

### (b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group (denominated in HK\$'000)

	Mainland		Hong Kong		United Kingdom		Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Segment revenue:										
Sales to external customers	15,264	18,753	55,677	57,237	135,237	1,557,629	18,553	10,261	224,731	1,643,880
Segment results	(2,672)	7	(470,448)	(155,662)	2,207	579	(6,278)	(110,436)	(477,191)	(265,512)
Other segment information:										
Segment assets	60,514	99,412	321,916	497,433	-	-	36,697	30,409	419,127	627,254
Capital expenditure	879	15,282	2,317	5,709	-	-	4,690	605	7,886	21,596





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## 6. TURNOVER, REVENUE AND GAINS

Revenue from the following activities has been included in turnover. An analysis of turnover, other revenue and gains is as follows:

	2002 HK\$'000	2001 HK\$'000
<b>Turnover</b>		
Fees and commission income from bullion, securities and futures broking	22,256	40,070
Loss on trading of bullion, securities and futures contracts	(13,323)	(19,339)
Interest income from margin financing activities	1,439	2,741
Interest income from loan financing activities	196	2,499
Shipment sales – Metals	52,031	30,636
– Metal scraps	15,499	19,664
– Others	1,438	4,722
In-warehouse metals sales	135,237	1,556,120
Gross rental income	9,958	6,767
	<b>224,731</b>	<b>1,643,880</b>
<b>Other revenue and gains</b>		
Interest income	858	2,509
Surplus on revaluation of investment properties – note 15	–	9,930
Profit on disposal of non-trading investments	7,857	43,299
Profit on disposal of trading investments	–	1,213
Dividend income from listed investments	477	228
Others	9,714	15,284
	<b>18,906</b>	<b>72,463</b>

# Notes to Financial Statements

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## 7. LOSS FROM OPERATING ACTIVITIES

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

	2002	2001
	HK\$'000	HK\$'000
Auditors' remuneration	800	800
Depreciation	6,005	6,646
Amortisation of intangible assets	2,220	1,976
Operating lease rentals on land and buildings	8,441	7,886
Deficit/(surplus) on revaluation of investment properties – note 15	32,580	(9,930)
Unrealised holding loss on trading investments	15,306	20,562
Loss on disposal of fixed assets	99	134
Provision for loss on amount due from an associate	–	1,100
Provision for stock obsolescence	728	–
Gain on deemed disposal of an associate	(5,910)	–
Staff costs (including directors' remuneration – note 9):		
Wages and salaries	27,657	28,872
Contributions to defined contributions pension scheme	1,150	861
Less: Forfeited contributions refunded/offset	(322)	(38)
Net pension contributions	828	823
Total staff costs	28,485	29,695
Gross rental income	(9,958)	(6,767)
Less: Outgoings	65	35
Net rental income	(9,893)	(6,732)



# Notes to Financial Statements

30 April 2002



## 8. FINANCE COSTS

	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	17,644	20,798

## 9. DIRECTORS' REMUNERATION

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

	2002	2001
	HK\$'000	HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	300	309
	300	309
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	3,704	3,672
Discretionary bonuses	–	168
Pension scheme contributions	107	110
	3,811	3,950

# Notes to Financial Statements

30 April 2002

## 9. DIRECTORS' REMUNERATION (continued)

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

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	6	6
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$1,500,001 – HK\$2,000,000	–	1
	8	8

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

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2001: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2001: three) non-director, highest paid employees are set out below.

	2002	2001
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,327	1,833
Discretionary bonus	–	69
Pension scheme contributions	41	136
	1,368	2,038

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



# Notes to Financial Statements

30 April 2002



## 11. TAX

	2002 HK\$'000	2001 HK\$'000
Group:		
(Over)/Underprovision in prior years	530	(86)
Deferred tax – note 32	3	(175)
	<hr/>	<hr/>
	533	(261)
Share of tax attributable to associates	(302)	288
Share of tax attributable to jointly-controlled entities	616	107
	<hr/>	<hr/>
Tax charge for the year	847	134

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (2001: Nil).

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

## 12. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$216,342,000 (2001: HK\$311,521,000).

## 13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of HK\$510,266,000 (2001: HK\$282,764,000) and the weighted average of 228,955,450 shares in issue during the year (2001: 203,061,800 shares), adjusted to reflect the ten-to-one share consolidation during the year. The loss per share for the year ended 30 April 2001 has been adjusted accordingly.

Diluted loss per share for the years ended 30 April 2002 and 2001 have not been calculated as no diluting events existed during both years.

# Notes to Financial Statements

30 April 2002

## 14. FIXED ASSETS

Group	Leasehold	Leasehold	Plant and	Furniture,	Total
	land and buildings	improvements	machinery	equipment and motor vehicles	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At beginning of year	69,275	7,956	10,486	13,638	101,355
Additions	411	584	466	6,425	7,886
Disposals	-	-	(400)	(7)	(407)
Exchange realignment	-	(19)	-	(40)	(59)
<b>At 30 April 2002</b>	<b>69,686</b>	<b>8,521</b>	<b>10,552</b>	<b>20,016</b>	<b>108,775</b>
Accumulated depreciation and impairment:					
At beginning of year	4,412	3,810	911	8,119	17,252
Provided during the year	2,097	1,197	1,084	1,627	6,005
Impairment during the year recognised in the profit and loss account	23,959	-	-	-	23,959
Disposals	-	-	(103)	(6)	(109)
Exchange realignment	-	28	-	(30)	(2)
<b>At 30 April 2002</b>	<b>30,468</b>	<b>5,035</b>	<b>1,892</b>	<b>9,710</b>	<b>47,105</b>
Net book value:					
<b>At 30 April 2002</b>	<b>39,218</b>	<b>3,486</b>	<b>8,660</b>	<b>10,306</b>	<b>61,670</b>
At 30 April 2001	64,863	4,146	9,575	5,519	84,103



# Notes to Financial Statements

30 April 2002



## 14. FIXED ASSETS (continued)

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

	Hong Kong	Elsewhere	Total
	HK'000	HK\$'000	HK\$'000
Long term leases	41,900	–	41,900
Medium term leases	22,050	5,736	27,786
	63,950	5,736	69,686

As at 30 April 2002, all leasehold land and buildings in Hong Kong and certain of the Group's plant and machinery with a net book value of HK\$6,694,000 (2001: Nil) were pledged to secure banking facilities granted to the Group (note 36).

## 15. INVESTMENT PROPERTIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
At beginning of year	181,150	171,220
Revaluation surplus/(deficit) (note 7)	(32,580)	9,930
At 30 April	148,570	181,150

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Long term leases	126,800	156,300
Medium term leases	21,770	24,850
	148,570	181,150

# Notes to Financial Statements

30 April 2002

## 15. INVESTMENT PROPERTIES (continued)

As at 30 April 2002, all investment properties were revalued on an open market existing use basis by K.T. Liu Surveyors Limited, independent professional valuers, at HK\$148,570,000. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 38 to the financial statements.

All investment properties were mortgaged to banks to secure banking facilities granted to the Group (note 36).

## 16. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year, as detailed in note 3 to the financial statements. The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of a subsidiary, is as follows:

<b>Group</b>	<b>Goodwill</b>
	HK\$'000
Cost:	
At beginning of year	–
Acquisition of a subsidiary	3,602
<b>At 30 April 2002</b>	<b>3,602</b>
Accumulated amortisation and impairment:	
At beginning of year	–
Impairment provided during the year	3,602
<b>At 30 April 2002</b>	<b>3,602</b>
Net book value:	
<b>At 30 April 2002</b>	<b>–</b>
At 30 April 2001	–





# Notes to Financial Statements

30 April 2002



## 16. GOODWILL AND NEGATIVE GOODWILL (continued)

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 May 2001, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively.

The Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, the Group has recognised an impairment of the goodwill previously eliminated against consolidated reserves, of HK\$304,506,000, during the year, as detailed in note 34 to the financial statements.

## 17. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	41,510	41,510
Due from subsidiaries	1,387,526	1,331,406
Provision for impairment	(1,300,106)	(1,034,011)
	<b>128,930</b>	<b>338,905</b>

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 42 to the financial statements.

# Notes to Financial Statements

30 April 2002

## 18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	20,350	24,680
Loan to a jointly-controlled entity	6,648	10,528
Due to a jointly-controlled entity	(194)	—
	26,804	35,208

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

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.



# Notes to Financial Statements

30 April 2002



## 18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

*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.

## 19. INTERESTS IN ASSOCIATES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	16,383	17,126
Loan to an associate	2,100	2,100
Due from associates	47	34
Due to associates	(2,870)	(14,324)
	15,660	4,936
Provision for loss on an amount due from an associate	(2,100)	(2,100)
	13,560	2,836

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

30 April 2002

## 19. 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
Simsen Used Machineries and Parts Limited	Corporate	Hong Kong	HK\$10,000	50%	Investment holding
Guangdong Simton International Leasing Corporation Limited *	Corporate	Mainland China	RMB8,288,737	25%	Trading and leasing of plant and machinery
Simsen International Commodities Limited	Corporate	British Virgin Islands	US\$200	49%	Investment holding
Simsen Commodities Company Limited	Corporate	Hong Kong	HK\$1,000,000	49%	In-warehouse trading of metals
Metal Highway Limited	Corporate	Hong Kong	HK\$1,000	44.1%	Metals trading
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%	Sales of personal equipment and provision of information services
COL Net Securities Trading Services Limited **	Corporate	Hong Kong	HK\$2,222,222	39.1%	Investment holding
開時網絡科技(深圳) 有限公司 **	Corporate	Mainland China	RMB 5,652,086	39.1%	Provision of software development and application services



# Notes to Financial Statements

30 April 2002



## 19. INTERESTS IN ASSOCIATES (continued)

- \* This is a joint venture 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 these associates are non-conterminous with those of the Group, which have a financial year end date of 31 December and are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms. The consolidated financial statements have been adjusted for material transactions between the associates and other Group companies between 1 January and 30 April.

## 20. INTANGIBLE ASSETS

### Group

	Trading rights HK\$'000	Mining rights HK\$'000	Total HK\$'000
Cost:			
At beginning of year and at 30 April 2002	24,884	72,839	97,723
Accumulated amortisation:			
At beginning of year	1,244	732	1,976
Provided during the year	1,244	976	2,220
Impairment during the year recognised in the profit and loss account	9,550	31,821	41,371
<b>At 30 April 2002</b>	<b>12,038</b>	<b>33,529</b>	<b>45,567</b>
Net book value:			
<b>At 30 April 2002</b>	<b>12,846</b>	<b>39,310</b>	<b>52,156</b>
At 30 April 2001	23,640	72,107	95,747

# Notes to Financial Statements

30 April 2002

## 21. INVESTMENTS IN SECURITIES

	Notes	Group	
		2002 HK\$'000	2001 HK\$'000
Non-trading investments:			
Listed equity investment in Hong Kong, at market value		63	15,324
Unlisted equity investment in Hong Kong, at fair value	(i)	485	22,425
Unlisted equity investment outside Hong Kong, at fair value		20,164	20,164
Less: Provision for impairment		(922)	–
		<b>19,242</b>	<b>20,164</b>
		<b>19,790</b>	<b>57,913</b>
Less: Portion classified as current assets		(63)	(15,324)
		<b>19,727</b>	<b>42,589</b>
Trading investments, at market value:			
Listed equity investments in Hong Kong		10,562	37,648
Unlisted equity investments outside Hong Kong	(ii)	26,549	–
		<b>37,111</b>	<b>37,648</b>
Investment in securities classified as current assets:			
Non-trading investments		63	15,324
Trading investments		37,111	37,648
		<b>37,174</b>	<b>52,972</b>

The market values of the listed equity investments at the date of approval of these financial statements were approximately HK\$6,004,000.



# Notes to Financial Statements

30 April 2002



## 21. INVESTMENTS IN SECURITIES (continued)

Notes:

- (i) The prior year's 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\$22,425,000 (2001: HK\$174,010,000) was made during the current year following which, the carrying amount of investment was fully written down. In the opinion of the directors, such impairment losses arose from the prevailing unfavourable economic environment in the high technology sector.
- (ii) The unlisted equity investments outside Hong Kong were subsequently disposed of to an independent third party at a consideration of approximately HK\$26,549,000.

## 22. OTHER LONG TERM ASSETS

	Group	
	2002 HK\$'000	2001 HK\$'000
Long term deposits	–	30,599
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
	<b>3,100</b>	<b>33,699</b>

# Notes to Financial Statements

30 April 2002

## 23. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Finished goods	8,289	9,130

All inventories were stated at cost.

## 24. 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 2002 is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
0 - 30 days	31,130	48,077
31 - 60 days	904	12,665
61 - 90 days	100	2,899
Over 90 days	4,147	18,565
	36,281	82,206

## 25. BANK TRUST ACCOUNT BALANCES

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





# Notes to Financial Statements

30 April 2002



## 26. TRADE PAYABLES

The aged analysis of trade payables as at 30 April 2002 is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
0 – 30 days	51,600	35,809
31 – 60 days	1,952	418
61 – 90 days	422	1
Over 90 days	3,244	1,975
	<b>57,218</b>	<b>38,203</b>

Included in the Group's trade payables is an amount due to an associate of approximately HK\$17,099,000 which is repayable on similar credit terms to those offered to the major customers of the Group.

## 27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group	
		2002	2001
		HK\$'000	HK\$'000
Bank overdrafts – secured	28, 36	17,497	36,097
Current portion of bank loans – secured	28, 36	39,353	22,434
Loans from directors	29	1,000	4,091
Loan from a related company		–	7,822
		<b>57,850</b>	<b>70,444</b>

# Notes to Financial Statements

30 April 2002

## 28. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

		Group	
	Note	2002 HK\$'000	2001 HK\$'000
Bank overdrafts repayable on demand	27	17,497	36,097
Secured bank loans repayable:			
Within one year	27	39,353	22,434
In the second year		27,208	26,607
In the third to fifth years, inclusive		91,374	92,399
After five years		22,480	47,954
		<b>180,415</b>	189,394
Total interest-bearing bank loans and overdrafts		<b>197,912</b>	225,491
Portion classified as current liabilities		<b>(56,850)</b>	(58,531)
		<b>141,062</b>	166,960

## 29. LOANS FROM DIRECTORS

The loans from directors are unsecured, interest-free and have no fixed terms of repayment except for the loans of HK\$10,777,000 which are repayable beyond one year.

## 30. 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 repayable beyond one year.

## 31. 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 2002



## 32. DEFERRED TAX

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	17	192
Charge/(credit) for the year – note 11	3	(175)
At 30 April	20	17

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

	Provided		Not recognised	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Accelerated depreciation allowances	20	17	-	-
Tax losses carried forward	-	-	(31,946)	(24,276)
	20	17	(31,946)	(24,276)

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.

The Company had no unprovided deferred tax at the balance sheet date (2001: Nil).

# Notes to Financial Statements

30 April 2002

## 33. SHARE CAPITAL

### Shares

	Number of shares '000	Par value HK\$	Amount HK\$'000
Authorised:			
At beginning of year	5,000,000	0.1	500,000
Upon Capital Reorganisation and as at 30 April 2002 – note (i)	50,000,000	0.01	500,000
Issued and fully paid:			
At beginning of year	2,272,160	0.1	227,216
Capital Reduction – note (i)	–	(0.099)	(224,944)
Share Consolidation – note (i)	(2,044,944)	0.009	–
	227,216	0.01	2,272
Placement of new shares – note (ii)	45,350	0.01	454
<b>As at 30 April 2002</b>	<b>272,566</b>	<b>0.01</b>	<b>2,726</b>

Note:

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

- (i) Pursuant to a special resolution passed on 4 March 2002, the shareholders approved a capital reorganisation involving, among others, a reduction and consolidation of the issued share capital ("Capital Reorganisation"). The Capital Reorganisation was effective on 5 March 2002.

Pursuant to the Capital Reorganisation:

1. the paid up capital and nominal value of all the issued shares were reduced from HK\$0.10 each to HK\$0.001 each by cancellation of HK\$0.099 paid up capital on each issued share ("Capital Reduction");
2. after the Capital Reduction, every 10 issued shares of HK\$0.001 each were consolidated into 1 share of HK\$0.01 each ("Share Consolidation");





## 33. SHARE CAPITAL (continued)

3. the credit of HK\$224,944,000 arising from the Capital Reduction and the credit of HK\$884,486,000 arising from reduction of the share premium were applied to eliminate the accumulated losses; and
  4. Immediately after the Capital Reduction and Share Consolidation, the authorised share capital of the Company was increased into 50,000,000,000 ordinary shares of HK\$0.01 each.
- (ii) Pursuant to a placing and subscription agreement and a supplemental agreement entered into between the Company, Peakhurst Limited (“Peakhurst”), Haywood Shares Holding Limited (“Haywood BVI”) and iWin Limited (“iWin”) dated 4 April 2002 and 11 April 2002, respectively, a total of 45,400,000 ordinary shares of HK\$0.01 each were placed by Peakhurst, Haywood BVI and iWin to independent institutional investors at a price of HK\$0.24 per placing share (“Placing Price”) on 10 April 2002. At the same time, each of Peakhurst, Haywood BVI and iWin agreed to subscribe for an aggregate of 45,350,000 new ordinary shares at the Placing Price. Each of Peakhurst, Haywood BVI and iWin subscribed for 9,968,000, 23,382,000 and 12,000,000 shares, respectively. The Placing Price represents a discount of about 5.88% to the closing price of HK\$0.255 per share quoted on the Stock Exchange on 4 April 2002 and a premium of about 2.56% to the average closing price of HK\$0.234 per share quoted on the Stock Exchange over the last five trading days up to and including 4 April 2002. The net proceeds of the placement and subscription of approximately HK\$10 million were used by the Company as additional working capital.

### Share options

During the year ended 30 April 2002, the Company operated two share option schemes, the “Previous Share Option Scheme” and the “New Share Option Scheme”, the definitions and further details of which are set out under the heading “Share option scheme” in the Report of the Directors on pages 18, 19 and 20. No share options were granted or exercised during the year.

# Notes to Financial Statements

30 April 2002

## 33. SHARE CAPITAL (continued)

As at 30 April 2002, the Company had the following outstanding share options pursuant to the Previous Share Option Scheme:

Date of share options granted	Number of share options outstanding as at 30 April 2002	Subscription price per share	Exercisable period
20 January 1997	580,000	HK\$8.00	20 July 1997 – 19 January 2007
2 March 1998	10,000,000	HK\$2.80	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 10,580,000 additional ordinary shares for a total consideration of HK\$32,640,000 before the related issue expenses.



# Notes to Financial Statements

30 April 2002



## 34. RESERVES

Group	Share	Goodwill	Capital	General	Currency	Non-trading	Accumulated	Total
	premium				translation	investment		
	account	reserve	reserve	reserve*	reserve	reserve	losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 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 and 1 May 2001	1,099,997	(304,506)	4,176	120	(3,142)	5,372	(692,950)	109,067
Private placements	10,430	-	-	-	-	-	-	10,430
Share issue expenses	(447)	-	-	-	-	-	-	(447)
Share premium set off against accumulated losses (note 33)	(884,486)	-	-	-	-	-	884,486	-
Credit arising on Capital Reorganisation (note 33)	-	-	-	-	-	-	224,944	224,944
Movement in fair value	-	-	-	-	-	(922)	-	(922)
Transfer to profit and loss account on impairment	-	-	-	-	-	4,737	-	4,737
Release on disposals	-	-	-	-	-	(9,134)	-	(9,134)
Impairment loss on goodwill reserve	-	304,506	-	-	-	-	-	304,506
Exchange realignment	-	-	-	-	(2,336)	-	-	(2,336)

# Notes to Financial Statements

30 April 2002

## 34. RESERVES (continued)

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
Share of general reserve of jointly-controlled entities	-	-	-	576	-	-	(576)	-
Transfer to general reserve	-	-	-	26	-	-	(26)	-
Net loss for the year	-	-	-	-	-	-	(510,266)	(510,266)
<b>At 30 April 2002</b>	<b>225,494</b>	<b>-</b>	<b>4,176</b>	<b>722</b>	<b>(5,478)</b>	<b>53</b>	<b>(94,388)</b>	<b>130,579</b>
Reserves retained by:								
Company and subsidiaries	225,494	-	4,176	146	(5,682)	53	(83,706)	140,481
Jointly-controlled entities	-	-	-	576	157	-	(3,734)	(3,001)
Associates	-	-	-	-	47	-	(6,948)	(6,901)
<b>At 30 April 2002</b>	<b>225,494</b>	<b>-</b>	<b>4,176</b>	<b>722</b>	<b>(5,478)</b>	<b>53</b>	<b>(94,388)</b>	<b>130,579</b>
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)
<b>At 30 April 2001</b>	<b>1,099,997</b>	<b>(304,506)</b>	<b>4,176</b>	<b>120</b>	<b>(3,142)</b>	<b>5,372</b>	<b>(692,950)</b>	<b>109,067</b>



# Notes to Financial Statements

30 April 2002



## 34. RESERVES (continued)

\* Pursuant to the relevant laws and regulations applicable in Mainland China, a portion of profits of the Group's subsidiaries and jointly-controlled entities in Mainland China were transferred to reserve funds which are restricted as to use.

Company	Share	Contributed	Accumulated	Total
	premium			
	account	surplus	losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2000	1,023,379	25,760	(705,169)	343,970
Net loss for the year	–	–	(311,521)	(311,521)
Private placements	80,219	–	–	80,219
Share issue expenses	(3,601)	–	–	(3,601)
<hr/>				
At 30 April 2001 and 1 May 2001	1,099,997	25,760	(1,016,690)	109,067
Share premium set off against accumulated losses (note 33)	(884,486)	–	884,486	–
Credit arising from Capital Reorganisation (note 33)	–	–	224,944	224,944
Private placements	10,430	–	–	10,430
Share issue expenses	(447)	–	–	(447)
Net loss for the year	–	–	(216,342)	(216,342)
<hr/>				
<b>At 30 April 2002</b>	<b>225,494</b>	<b>25,760</b>	<b>(123,602)</b>	<b>127,652</b>

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 prior to the listing of the Company's shares, 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

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## 35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002	2001
	HK\$'000	HK\$'000
Loss from operating activities	(489,458)	(266,732)
Interest income	(858)	(2,509)
Depreciation	6,005	6,646
Amortisation of intangible assets	2,220	1,976
Deficit/(surplus) on revaluation of investment properties	32,580	(9,930)
Loss on disposal of fixed assets	99	134
Profit on disposal of non-trading investments	(7,857)	(43,299)
Provision for loss on amount due from an associate	–	1,100
Unrealised holding loss on trading investments	15,306	20,562
Impairment loss on investments in securities	27,162	174,010
Impairment loss on goodwill reserve	308,108	110,941
Impairment loss on land and buildings	23,959	–
Impairment loss on intangible assets	41,371	–
Gain on deemed disposal of an associate	(5,910)	–
Dividend income from listed investments	(477)	(228)
Decrease/(increase) in other long term assets	26,514	(22,299)
Decrease/(increase) in bank trust account balances	741	(4,134)
Decrease/(increase) in gold on hand	112	(5)
Increase in short term investments	(14,769)	(27,793)
Decrease in trade receivables	45,925	23,917
Decrease/(increase) in inventories	841	(4,412)
Decrease/(increase) in prepayments, deposits and other receivables	(9,047)	29,696
Increase/(decrease) in trade payables	19,015	(21,805)
Increase in other payables and accrued liabilities	2,994	7,914
Increase/(decrease) in amounts due to associates	(11,454)	1,055
Decrease/(increase) in amounts due from associates	(13)	8,731
Increase/(decrease) in amount due to a jointly-controlled entity	194	(5,985)
Increase in amount due to a related company	1,728	–
Effect of foreign exchange differences	(2,264)	(3,380)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>12,767</b>	<b>(25,829)</b>



# Notes to Financial Statements

30 April 2002



## 35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (b) Analysis of changes in financing during the year

	Share capital and share premium account HK\$'000	Bank loans HK\$'000	Loan from a related company HK\$'000	Loans from directors HK\$'000	Minority interests HK\$'000
At 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 and 1 May 2001	1,327,213	189,394	7,822	4,091	128
Cash inflow/(outflow)					
from financing, net	10,437	(8,979)	–	7,686	–
Non-cash transactions	(1,109,430)	–	–	–	–
Transfer from amount due to a related company	–	–	4,000	–	–
Interest expenses	–	–	23	–	–
Share of loss for the year	–	–	–	–	(128)
<b>At 30 April 2002</b>	<b>228,220</b>	<b>180,415</b>	<b>11,845</b>	<b>11,777</b>	<b>–</b>

# Notes to Financial Statements

30 April 2002

## 35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (c) Acquisition of a subsidiary

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Fixed assets	–	1,132
Investment in securities	485	–
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	(2)	(5,608)
Due to Group companies	–	(6,847)
	483	43,158
Goodwill arising on acquisitions	3,602	155,618
	4,085	198,776
Satisfied by:		
Cash	–	110,689
Shares issued	–	32,550
Reclassification of interests in associates	–	(463)
Deposit paid last year	4,085	56,000
	4,085	198,776



# Notes to Financial Statements

30 April 2002



## 35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (c) Acquisition of a subsidiary (continued)

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

	2002 HK\$'000	2001 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

In respect of the cash flow for the year ended 30 April 2002, the subsidiary acquired in that year had no significant impact on the Group's cash flow. The results of the subsidiary acquired in the year ended 30 April 2002 had no significant impact on the Group's consolidated turnover or loss after tax for the year.

The subsidiaries acquired in the prior 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 in that year.

### (d) Non-cash transactions

During the year, the share capital of the Company was reorganised as detailed in note 33 to the financial statements.

## 36. BANKING FACILITIES

As at 30 April 2002, part of the Group's banking facilities were secured by the following:

- (a) bank deposits amounting to approximately HK\$1,000,000 (2001: HK\$2,778,000);
- (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;

# Notes to Financial Statements

30 April 2002

## 36. BANKING FACILITIES (continued)

- (c) personal guarantees from directors of the Company;
- (d) first legal charges on all investment properties of the Group;
- (e) all leasehold land and buildings of the Group in Hong Kong;
- (f) certain plant and machinery of the Group; and
- (g) listed investments of a wholly-owned subsidiary of the Company and its margin clients (with the margin clients' consent).

## 37. CONTINGENT LIABILITIES

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

	Company	
	2002	2001
	HK\$'000	HK\$'000
Guarantee for banking facilities granted to subsidiaries	202,008	212,853

## 38. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment properties (note 15 to the financial statements) under operating arrangements, with leases negotiated for terms ranging from 2 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.



# Notes to Financial Statements

30 April 2002



## 38. OPERATING LEASE ARRANGEMENTS (continued)

### (a) As lessor (continued)

At 30 April 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2002 HK\$'000	2001 HK\$'000
Within one year	4,520	7,029
In the second to fifth years, inclusive	886	5,651
	<u>5,406</u>	<u>12,680</u>

### (b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 6 years.

At 30 April 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2002 HK\$'000	2001 HK\$'000 (Restated)
Within one year	4,913	11,358
In the second to fifth years, inclusive	1,865	8,716
After five years	3,772	4,063
	<u>10,550</u>	<u>24,137</u>

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

# Notes to Financial Statements

30 April 2002

## 39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had capital commitments of HK\$29,439,000 (2001: Nil) in respect of outstanding capital contribution to a jointly-controlled entity and an associate established in Mainland China and commitments in respect of in-warehouse purchases and sales contracts undertaken for hedging purposes in the ordinary course of business existing at the balance sheet date.

The Company had no commitments at the balance sheet date (2001: Nil).

## 40. 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:

	2002	2001
	HK\$'000	HK\$'000
Rental income received	857	1,043
Rental expenses paid	189	460

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.





# Notes to Financial Statements

30 April 2002



## 41. RELATED PARTY TRANSACTIONS

- (a) In addition to the connected transactions as set out in note 40 and the inter-group balances set out in notes 17, 18 and 19, the Group had the following material transactions with related parties during the year:

	Notes	2002 HK\$'000	2001 HK\$'000
Loan interest paid to a related company	(i)	23	126
Management fee paid to a related company	(ii)	231	221
Management fee received from:			
(a) a jointly-controlled entity	(ii)	280	280
(b) a related company	(ii)	405	405
(c) associates	(ii)	1,216	360
Administration fee paid to a related company	(ii)	375	–
Rental income received from a related company	(iii)	129	183
Rental expenses paid to a related company	(iii)	773	804
Promotion services fee paid to a related company	(iv)	180	–
Services fees paid to related companies	(iv)	1,261	–
Purchases of goods from a jointly-controlled entity	(v)	36,433	–
Provision for loss on amount due from an associate		–	1,100

- (i) The interest paid to a related company arose from loan, further details of which, including the terms, are disclosed in note 30 to the financial statements.
- (ii) The management and administrative fees paid and received were based on the actual cost incurred for management services provided.
- (iii) The monthly rental was calculated by reference to open market rates.
- (iv) The services fees were calculated by reference to open market rates.
- (v) The directors consider that the purchases were made according to terms and conditions comparable to those offered to other customers of the jointly controlled entity.
- (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\$173,875,000 as at 30 April 2002 (2001: HK\$184,720,000). 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\$39,600,000 (2001: HK\$32,000,000). As at 30 April 2002, the banking facilities granted to a subsidiary of the Company were utilised to the extent of approximately HK\$6,385,000 (2001: HK\$7,963,000).

# Notes to Financial Statements

30 April 2002

## 42. 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
			2002 %	2001 %	
<b>Held directly</b>					
Firstmount International Limited	British Virgin Islands	US\$1	100	100	Investment holding
<b>Held indirectly</b>					
Alexis Resources Limited	British Virgin Islands	US\$100	100	100	Investment holding
Bullion Road Limited	Hong Kong	HK\$100	85.59	85.59	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



# Notes to Financial Statements

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## 42. 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
			2002 %	2001 %	
Cheung's Securities Brokers Limited	Hong Kong	HK\$10,000,000	100	100	Securities broking and trading and provision of margin financing
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
Kilmorey Bullion Company Limited	Hong Kong	HK\$12,000,000	100	100	Property holding for rental purposes
Lee Fung Hong Bullion Limited	Hong Kong	HK\$30,000,000	100	100	Property holding for rental purposes

# Notes to Financial Statements

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## 42. 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
			2002 %	2001 %	
Lee Fung Hong (Cheung's) Bullion Limited	Hong Kong	HK\$1,000,000	100	100	Metal broking and trading
Lian-Rong Company Limited**	Taiwan	NTD150,000,000	59.78	59.78	Operation not yet commenced
Next E-Capital Corp.	British Virgin Islands	US\$5,550,000	100	100	Investment holding
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



# Notes to Financial Statements

30 April 2002



## 42. 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
			2002 %	2001 %	
Simsen Resources Limited	Hong Kong	HK\$10,000	100	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	97	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.

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

# Notes to Financial Statements

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## 43. POST BALANCE SHEET EVENTS

On 28 August 2002, the Company entered into a subscription agreement with a company incorporated in Taiwan (the "Subscriber"), which is a subsidiary of Helix Technologies Inc., an independent third party incorporated in Taiwan with shares listed on the Taiwan Stock Exchange, for the subscription of (i) 60,000,000 new ordinary shares of HK\$0.01 each of the Company at an issue price of HK\$0.25 per share for a subscription price of HK\$15 million; and (ii) the 2% convertible note due on 2004 in the principal amount of HK\$8 million. On 28 August 2002, the aggregate proceeds of HK\$23 million were fully received and were applied as working capital of the Group. The completion of the subscription is conditional to the passing of the necessary resolutions by the shareholders of the Company at a special general meeting.

On the same date, the Company entered into various subscription agreements to place shares of the Company having equivalent aggregate value of HK\$16 million to independent third party investors. The completion of the subscription is conditional to the passing of the necessary resolutions by the shareholders of the Company at a special general meeting.

Details of the post balance sheet events have been included in an announcement of the Company dated 29 August 2002.

## 44. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

## 45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 August 2002.

