

Notes to the Accounts

1. CORPORATE INFORMATION AND UPDATE

The Company is incorporated in Bermuda as an exempted company with limited liabilities and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal place of business of the Company is located at 16th Floor, Cheung Fat Building, 7-9 Hill Road, Western District, Hong Kong. The Company's shares have been suspended for trading on the Stock Exchange since 24th December 2001.

During the year, the Group was involved in the following principal activities:

- general trading
- securities dealing
- property investments and management
- corporate investment and financial services

2. BASIS OF PRESENTATION

Going Concern

The Group sustained a net loss attributable to shareholders of HK\$180 million for the year ended 30th April 2002 (2001: Loss of HK\$775 million). As at that date, the Group had consolidated net current liabilities of HK\$818 million (2001: Net current liabilities of HK\$684 million), consolidated accumulated losses of HK\$1,519 million (2001: Accumulated losses of HK\$1,338 million) and a consolidated deficiency in net assets of HK\$734 million (2001: Deficiency in net assets of HK\$589 million). During the year, the asset value of the Group was deteriorated, which was largely due to the loss on the provisions made for impairment losses of short term listed investments.

The Group's liabilities included indebtedness of HK\$587 million as at 30th April 2002 (2001: HK\$613 million) which comprised bank loans and overdrafts of HK\$111 million (2001: HK\$116 million), unsecured promissory notes of HK\$357 million (2001: HK\$357 million) and other secured and unsecured borrowings of HK\$119 million (2001: HK\$140 million).

Although the directors subsequently undertook a number of measures with a view to improve the Group's liquidity and restoring its operations to profitability and to be cash positive, the Group continues to experience financial difficulties and currently has no unutilised banking facilities available to support its normal operational requirements. As a result, the Group has to use its remaining cash reserves to satisfy the working capital requirements for its daily operational activities and the ability to continue its businesses has been dependent upon advances made from the Company's directors and a potential investor for its ongoing working capital requirements.

On 25th May 2001, the promissory note holder had filed writ of summons to demand for the repayment of the amounts due and petition for the winding-up of the Company.

Notes to the Accounts *(Continued)*

2. BASIS OF PRESENTATION *(Continued)*

Going Concern *(Continued)*

The accounts have been prepared on a going concern basis notwithstanding that the Group and the Company had net current liabilities as at 30th April 2002. On 19th September 2001, the Company entered into a 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 exercises. Since the standstill agreement 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 ("Restructuring Proposal") with the Creditors and a potential investor (the "Investor"), which was supplemented by a supplemental agreement entered into on 24th September 2002. The principal terms of the Restructuring Proposal, involve, inter alia, the following:

- (i) the Investor has agreed to inject cash of up to HK\$57.6 million into the Company in exchange for approximately 95% of the enlarged issued share capital of the Company upon completion of the Restructuring Proposal; and
- (ii) the Company will settle all the claims from all Creditors of the Company in accordance with the terms of the Restructuring Proposal and schemes of arrangement between the Company and the Creditors ("the Schemes").

Key terms and conditions of the Restructuring Proposal include the following:

(a) Capital Restructuring

Capital restructuring involves capital reduction, unissued share subdivision and share consolidation, and an increase in the authorised share capital of the Company. Further details are set out in note 24 to the accounts.

(b) Debt Restructuring

It is proposed that all indebtedness of the Company will be restructured pursuant to the terms of the Restructuring Proposal and the Schemes. According to the Companies Act of Bermuda and the Hong Kong Companies Ordinance, the Schemes will become effective and binding on all Creditors if, amongst others, a majority in number of Creditors entitled to vote on the Schemes representing at least 50% in number and 75% in value of their claims vote in favour of the Schemes in Creditors' meetings convened for that purpose.

Notes to the Accounts *(Continued)*

2. BASIS OF PRESENTATION *(Continued)*

Going Concern *(Continued)*

(b) Debt Restructuring *(Continued)*

The indebtedness due to the Creditors will be settled via the Schemes as follows, on a pro-rata basis:

- (i) a cash payment of HK\$48 million;
- (ii) the issue and allotment by the Company of 40 million new shares, credited as fully paid, at the par value of HK\$0.05 each (i.e. HK\$2 million in total) to the Creditors after taking into account the effect of the capital restructuring and upon completion of the Restructuring Proposal; and
- (iii) a distribution of 40% of the net proceeds (after disposal, realisation, recovery costs and discharge of any security) from the disposal of all unencumbered assets of the Group, (including any secured assets surrendered by the secured creditors as described in the above), within a period of eighteen months after completion of the Restructuring Proposal. The remaining 60% of the net proceeds will be retained by the Group.

(c) Subscription and Capitalisation of Loans

(i) *Subscription*

A new issue of 960 million new ordinary shares of HK\$0.05 each will be allotted to the Investor after taking into account the effect of the capital restructuring and upon completion of the Restructuring Proposal, at the par value for HK\$48 million in cash, the proceeds of which will be applied to settle the unsecured indebtedness pursuant to the Schemes as described in (b).

(ii) *Capitalisation of Loans*

An advance up to a maximum of HK\$9.6 million will be injected by the Investor in the form of interest-free loans to cover the total estimated costs and expenses for the implementation of the Restructuring Proposal of HK\$9 million and the Company's interim working capital requirement of HK\$600,000. Upon completion of the Restructuring Proposal, the Company will capitalise the entire balance of such loans by issuing up to 192 million new shares to the Investor at the par value of HK\$0.05 each.

(d) Subscription of Convertible Notes

The Investor will subscribe for the convertible notes to be issued by the Company which is conditional upon the Restructuring Proposal becoming unconditional. The proceeds therefrom will be used to provide necessary working capital to the Group after restructuring.

Notes to the Accounts *(Continued)*

2. BASIS OF PRESENTATION *(Continued)*

Going Concern *(Continued)*

The completion of the above Restructuring Proposal is conditional upon the fulfillment of certain terms and conditions, details of which have been included in the announcement jointly issued by the Company and the Investor on 21st May 2002.

In light of the measures taken to date, together with the expected results from the proposed restructuring, the directors opined that it is appropriate to prepare the accounts on a going concern basis.

The accounts do not incorporate any adjustments for possible failure of the above 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 incorporated in the accounts.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by revaluation of certain investment properties, other properties and investments.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001 except stated otherwise:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effects of adopting these new/revised standards are set out in the accounting policies below.

Notes to the Accounts *(Continued)*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries for the year ended made up to 30th 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 inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Subsidiaries

Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of issued share capital.

In the Company's balance sheet, interests in subsidiaries are stated at cost less any provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Goodwill/negative goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair values of the Group's share of the net assets of the acquired subsidiaries, jointly controlled entities or associates at the date of acquisition.

Negative goodwill arising on consolidation represents the excess of the fair values of the Group's share of the net assets of the acquired subsidiaries, jointly controlled entities or associates at the date of acquisition over the cost of acquisition.

Previously, goodwill/negative goodwill arising on consolidation/acquisition of subsidiaries, jointly controlled entities or associates is eliminated against reserves/taken to 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 occurring on or after 1st January 2001 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, while for acquisitions after 1st January 2001 negative goodwill is presented separately as a deduction from assets and is released as income 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.

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 25) which 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.

Notes to the Accounts *(Continued)*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Goodwill/negative goodwill *(Continued)*

Upon the disposal of an interest in a subsidiary, a jointly controlled entity or an associate, the attributable negative goodwill, or amount of purchased goodwill, which had previously been eliminated against reserves and had not previously been charged to the profit and loss account, is credited or charged to the profit and loss account to determine the gains or losses on sale of investments.

(e) Associates

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

The Group's share of the post-acquisition results and reserves of associates as reported in their accounts which are made up to dates between 31st December and 30th April is included in the consolidated profit 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 of the associates and also goodwill or negative goodwill on acquisition.

In the Company's balance sheet, interests in the associates are stated at cost less any provision for impairment losses. The results of the associates are accounted for by the Company on the basis of dividends received and receivables. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

(f) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

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. The Group's interests in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets of the jointly controlled entities.

In the Company's balance sheet, interests in jointly controlled entities are treated as long term investments and are stated at cost less any provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Accounts *(Continued)*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are annually valued by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve; decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

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

(ii) Other fixed assets

Other fixed assets other than investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Other fixed assets are depreciated at rates sufficient to write off their cost less any accumulated impairment losses over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Other properties	2 – 2½%
Furniture, fixtures and equipment	15%
Plant and machinery	10 – 15%
Motor vehicles	25%

(iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to accumulated losses and is shown as a movement in reserves.

Notes to the Accounts *(Continued)*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Investments in securities

(i) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities should be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Short term listed investments

Short term listed investments are carried at fair value. At each balance sheet date the net unrealised gains or losses arising from the changes in fair value of the investments are recognised in the profit and loss account.

(i) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheets are stated net of such provision.

(j) Deferred taxation

Deferred taxation 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.

(k) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, payments made under operating leases net of any incentives received from the lessor are charged to the profit and loss account on a straight line basis over the lease periods. 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 a straight line basis over the lease periods.

(l) 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 the balance sheet date. Exchange differences are dealt with in the profit and loss account.

On consolidation the accounts of overseas subsidiaries, jointly controlled entities and associates are translated in Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are dealt with as a movement in reserves.

Notes to the Accounts *(Continued)*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition

(i) Sale of goods

Income from the sale of goods is recognised upon delivery of goods to customers.

(ii) Operating lease rental income

Operating lease rental income is recognised on a straight line basis over the period of the lease.

(iii) Interest income

Interest income is recognised when there is no uncertainty as to the ultimate collection on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iv) Rendering of services

Income arising from provision of management, consultancy and financial services is recognised when the relevant services are rendered.

(v) Revenue from sales of short term listed investments

Income arising from sales of short term listed investments is recognised on the completion of transfer of risks and rewards of ownership of the investments to the transferee and the legal title being passed.

(n) Retirement benefits schemes

The Group operates a defined contributions Mandatory Provident Fund retirement scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The MPF Scheme became effective from 1st December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

(o) Provisions

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Notes to the Accounts *(Continued)*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the controls of the Group. It can also be a present obligation arising from past events that are not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(q) **Turnover**

Turnover represents property investment and management consultancy revenues, the net amounts received and receivable for goods sold and revenues from sales of listed investments and provision of financial services.

(r) **Notional interest**

Where payments for investments acquired are deferred, notional interest is calculated by reference to the period of deferral, current interest rates and the amount of the likely payments. The notional interest calculated thereon is charged to the profit and loss account over the period of deferral. The investments and the corresponding deferred payments are stated at the cost of acquisition less notional interest at the balance sheet date.

(s) **Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment and those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidated process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

Notes to the Accounts *(Continued)*

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) 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.

(u) 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.

4. TURNOVER, REVENUE AND SEGMENT INFORMATION

During the year, the Group has been principally engaged in the business of general trading, securities dealing, property investments and property management. Revenues recognised during the year are as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TURNOVER		
Continuing operations:		
Property investment and management consultancy	5,672	9,612
Corporate investment and financial services	15,417	14,950
Discontinuing operations:		
Sales of gold bullion and bullion financing	–	1,655,198
Sales of jewellery products	–	50,977
	<u>21,089</u>	<u>1,730,737</u>
OTHER REVENUES		
Interest income from an associate	–	11,240
Interest income on bank deposits	48	570
Other interest income	127	–
Commission income	–	11,171
Gain on disposal of fixed assets	640	–
Other income	1,089	14,030
	<u>1,904</u>	<u>37,011</u>
Total turnover and revenues	<u><u>22,993</u></u>	<u><u>1,767,748</u></u>

In prior years, the Group had involved in sales of gold bullion and bullion financing and sales of jewellery products. These operations were discontinued in last year.

Notes to the Accounts *(Continued)*

4. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

Business and geographical segments

The segment information set out below is based on the requirements of SSAP 26 "segment reporting" which has been adopted for the first time. Segment disclosures for 2001 have been amended so that they are presented on a consistent basis.

Business segments

The above mentioned operations are the basis on which the Group reports its primary segment information. There are no sales or other transactions between the business segments.

(i) (Loss)/profit contribution by business segments for the year is as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Continuing operations:		
Property investment and management consultancy	62	(2,380)
Corporate investment and financial services	(70,846)	(260,445)
Discontinuing operations:		
Sales of gold bullion and bullion financing	–	11,241
Sales of jewellery products	–	(6,144)
Segment results	(70,784)	(257,728)
Unallocated costs	(100,643)	(142,155)
Share of profits less losses of:		
Associates	–	(345,536)
Jointly controlled entities	(8,373)	(23,685)
Loss from operating activities	(179,800)	(769,104)
Taxation	(167)	(53)
Loss after taxation	(179,967)	(769,157)
Minority interests	269	(5,531)
Loss attributable to shareholders	<u>(179,698)</u>	<u>(774,688)</u>

Notes to the Accounts *(Continued)*

4. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

(ii) Assets and liabilities analysed by business segments are as follows:

Assets	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Property investment and management consultancy	20,015	23,630
Corporate investment and financial services	35,371	131,639
	<u>55,386</u>	<u>155,269</u>
Total segment assets	55,386	155,269
Unallocated assets	60,541	70,931
	<u>115,927</u>	<u>226,200</u>
Liabilities		
Property investment and management consultancy	(23,950)	(33,399)
Corporate investment and financial services	(649,491)	(584,287)
	<u>(673,441)</u>	<u>(617,686)</u>
Total segment liabilities	(673,441)	(617,686)
Unallocated liabilities	(176,000)	(197,112)
	<u>(849,441)</u>	<u>(814,798)</u>

(iii) Other information:

	Depreciation		Capital Expenditure	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Continuing operations:				
Property investment and management consultancy	158	1,249	79	–
Corporate investment and financial services	11	1,392	19	204
Discontinuing operations:				
Sales of gold bullion and bullion financing	–	4,383	–	1,927
Sales of jewellery products	–	1,744	–	646
	<u>169</u>	<u>8,768</u>	<u>98</u>	<u>2,777</u>

Geographical segments

The Group's principal markets are located in Hong Kong. For both 2002 and 2001, more than 90% of the Group's turnover and carrying amount of assets were generated from and located in Hong Kong, therefore no geographical segments information is presented.

Notes to the Accounts *(Continued)*

5. GAINS LESS LOSSES ON DISPOSAL OF SUBSIDIARIES AND INTEREST IN ASSOCIATES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Gain on reclassification of subsidiaries to short term listed investment (<i>note a</i>)	–	51,877
Gain on reclassification of an associate to short term listed investment (<i>note b</i>)	–	124,602
Gain on disposal of subsidiaries	–	295
Loss on disposal of investment in preference shares of a subsidiary (<i>note c</i>)	–	(24,628)
	<u>–</u>	<u>152,146</u>

Notes:

- (a) For the year ended 30th April 2001, the amount represented the gain arisen from reclassification of RNA Holdings Limited (“RNA”) and its subsidiaries (“RNA Group”) from subsidiaries to short term listed investment.
- (b) For the year ended 30th April 2001, the amount represented the gain derived from reclassification of Can Do Holdings Limited from interest in an associate to short term listed investment.
- (c) For the year ended 30th April 2001, the amount represented loss arisen from disposal of preference shares of RNA before the reclassification.

6. OPERATING LOSS FOR THE YEAR

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Operating loss of the Group for the year is stated after crediting and charging the following:		
Crediting:		
Interest income	175	72,757
Gross rental income from investment properties	–	5,107
Gain on disposal of fixed assets	640	–
	<u>640</u>	<u>–</u>
Charging:		
Staff costs (including directors’ emoluments):		
Wages and salaries (including severance payments)	14,753	33,985
Retirement benefits schemes contribution (net)	(376)	991
	<u>14,377</u>	<u>34,976</u>
Depreciation	161	8,768
Auditors’ remuneration	440	1,679
Provision for impairment loss on an investment security	–	38,000
Provision for impairment losses on interests in associates	4,450	–
Deficit on revaluation of an investment property	–	3,318
Impairment loss recognised in respect of goodwill arising on the acquisition of a subsidiary	111	–
Operating leases on land and buildings	4,217	11,789
Outgoings in respect of investment properties	–	201
Loss on disposal of fixed assets	–	14,187
Loss on disposal of other assets	–	530
	<u>–</u>	<u>530</u>

Notes to the Accounts *(Continued)*

7. FINANCE COSTS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest on bank loans and overdrafts		
– wholly repayable within five years	9,262	22,090
– not wholly repayable within five years	–	2,192
Interest on other short term loans	65,068	70,961
Interest on convertible notes wholly repayable within five years	–	2,509
Notional interest on promissory notes	–	20,342
	<u>74,330</u>	<u>118,094</u>

8. DISCONTINUING OPERATIONS

The combined profit and loss account information of discontinuing operations is summarised based on unaudited management accounts and shown as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover and other revenues	<u>–</u>	<u>1,709,745</u>
Profit for the period	<u>–</u>	<u>5,097</u>

The discontinuing operations as shown in 2001 were mainly related to the business activities carried out by RNA Group, including sales of gold bullion and bullion financing, for the period up to the date when RNA Group ceased to be the subsidiaries of the Group.

9. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fees:		
Executive	–	–
Non-executive	–	–
Independent non-executive	–	–
	<u>–</u>	<u>–</u>
Salaries, housing, other allowances and benefits in kind	474	1,290
Retirement benefits costs	6	44
	<u>480</u>	<u>1,334</u>

Notes to the Accounts *(Continued)*

9. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

The remuneration of the directors fell within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	–	1
	<u>1</u>	<u>1</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2001: Nil).

Five highest paid employees

Included above is one (2001: one) executive director whose emolument was among five highest paid individuals in the Group.

Details of the emoluments paid to four individuals who are not directors (2001: there were four individuals who were not directors), but whose emoluments were among the five highest paid individuals in the Group are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	2,769	3,477
Bonus	–	88
Retirement benefits schemes contributions	84	167
	<u>2,853</u>	<u>3,732</u>

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
	2002	2001
Nil to HK\$1,000,000	4	2
HK\$1,000,001 to HK\$1,500,000	–	2
	<u>4</u>	<u>4</u>

Notes to the Accounts *(Continued)*

10. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Company and subsidiaries:		
Hong Kong profits tax		
– current year	38	117
– overprovision for prior years	–	(65)
Overseas taxation	129	(5)
	<u>167</u>	<u>47</u>
Associates:		
Hong Kong profits tax	–	6
	<u>167</u>	<u>53</u>

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$603,107,000 (2001: a loss of HK\$281,316,000).

12. DIVIDENDS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Preference dividends		
Payable of HK\$0.151 per share on 2,549,990 shares (2001: Paid of HK\$0.151 on 2,551,990 shares)	385	385
Payable of HK\$0.149 per share on 2,549,990 shares (2001: HK\$0.149 on 2,551,990 shares)	380	380
	<u>765</u>	<u>765</u>

13. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to shareholders after preference dividends of HK\$180,463,000 (2001: loss of HK\$775,453,000) and the weighted average of 3,954,852,661 (2001: 2,421,706,199 ordinary shares in issue) ordinary shares in issue during the year.

The diluted loss per share is not shown as the potential shares arising from the conversion of the Company's convertible preference shares would decrease the loss per share of the Group for the years ended 30th April 2002 and 30th April 2001 and are regarded as anti-dilutive.

Notes to the Accounts *(Continued)*

14. FIXED ASSETS

Group

	Investment property <i>HK\$'000</i>	Other property <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation						
At 1st May 2001	18,421	1,096	-	-	6,536	26,053
Additions	-	-	8	-	79	87
Acquisition of a subsidiary	-	-	2	9	-	11
Disposals	-	-	(8)	-	(1,456)	(1,464)
At 30th April 2002	<u>18,421</u>	<u>1,096</u>	<u>2</u>	<u>9</u>	<u>5,159</u>	<u>24,687</u>
Accumulated depreciation						
At 1st May 2001	-	176	-	-	6,345	6,521
Charge for the year	-	22	-	-	139	161
Acquisition of a subsidiary	-	-	1	7	-	8
Disposals	-	-	-	-	(1,389)	(1,389)
At 30th April 2002	<u>-</u>	<u>198</u>	<u>1</u>	<u>7</u>	<u>5,095</u>	<u>5,301</u>
Net book value						
At 30th April 2002	<u>18,421</u>	<u>898</u>	<u>1</u>	<u>2</u>	<u>64</u>	<u>19,386</u>
At 30th April 2001	<u>18,421</u>	<u>920</u>	<u>-</u>	<u>-</u>	<u>191</u>	<u>19,532</u>

The analysis of the cost or valuation of investment property and other property of the Group at 30th April 2002 is as follows:

	Investment property outside Hong Kong (leasehold) <i>HK\$'000</i>	Other property outside Hong Kong (freehold) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost	-	1,096	1,096
At professional valuation - 2001	<u>18,421</u>	<u>-</u>	<u>18,421</u>
	<u>18,421</u>	<u>1,096</u>	<u>19,517</u>

Notes to the Accounts *(Continued)*

14. FIXED ASSETS *(Continued)*

The Group's interests in investment property and other property at their net book values are analysed as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Outside Hong Kong, held on		
– freehold	898	920
– leases over 50 years	18,421	18,421
	<u>19,319</u>	<u>19,341</u>

In prior years, the Group's investment properties are stated at amounts determined by valuations performed by independent professional valuers on their open market value basis. As at 30th April 2002, no further revaluation has been carried out for the Group's investment property by independent professional valuers, which is not in accordance with the requirements of SSAP 13.

At 30th April 2002, an investment property with a net book value of HK\$18,421,000 (2001: HK\$18,421,000) has been pledged to secure banking facilities granted to the Group.

Company

	Motor Vehicles <i>HK\$'000</i>
Cost	
At 1st May 2001	1,458
Disposals	<u>(1,156)</u>
At 30th April 2002	<u>302</u>
Accumulated depreciation	
At 1st May 2001	1,425
Charge for the year	3
Disposals	<u>(1,126)</u>
At 30th April 2002	<u>302</u>
Net book value	
At 30th April 2002	<u><u>–</u></u>
At 30th April 2001	<u><u>33</u></u>

Notes to the Accounts *(Continued)*

15. SUBSIDIARIES

	Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Unlisted shares, at cost	111,953	111,953
Amounts due from subsidiaries	<u>1,201,605</u>	<u>900,823</u>
	1,313,558	1,012,776
Provision for impairment losses	<u>(1,066,678)</u>	<u>(514,102)</u>
	246,880	498,674
Amounts due to subsidiaries	<u>(651,674)</u>	<u>(358,208)</u>
	<u>(404,794)</u>	<u>140,466</u>

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment. In prior year, an amount due from a subsidiary of HK\$33,416,386 carried interest at 8% per annum.

Details of the principal subsidiaries as at 30th April 2002, which materially affected the Group's results or assets, are set out in note 33 to the accounts.

16. ASSOCIATES

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Share of net assets	3,154	2,910
Amounts due from associates	<u>1,296</u>	<u>1,549</u>
	4,450	4,459
Provision for impairment losses	<u>(4,450)</u>	<u>-</u>
	-	4,459
Amounts due to associates	<u>(375)</u>	<u>(464)</u>
	<u>(375)</u>	<u>3,995</u>
Investments at cost less provision for impairment losses		
– unlisted shares	<u>-</u>	<u>6,668</u>

Notes to the Accounts *(Continued)*

16. ASSOCIATES *(Continued)*

(a) The consolidated profit and loss account for the year ended 30th April 2001 included an amount of HK\$345,399,000, being the Group's share of loss of Can Do Holdings Limited for the year ended 31st March 2001, the date of reclassification of Can Do Holdings Limited from an associate to short term listed investment.

(b) Details of the associates as at 30th April 2002 are set out in note 34 to the accounts.

	Company	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from associates	–	243

17. JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities	(65,429)	(57,056)	–	–
Amounts due from jointly controlled entities	126,419	124,012	70,048	67,270
Amounts due to jointly controlled entities	(74)	(20)	–	–
	<u>60,916</u>	<u>66,936</u>	<u>70,048</u>	<u>67,270</u>

(a) The amounts due from/(to) jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

(b) Details of the jointly controlled entities as at 30th April 2002, which materially affected the Group's results or assets, are set out in note 35 to the accounts.

(c) Details of the subsequent events relating to the jointly controlled entities are set out in note 32 to the accounts.

18. INVESTMENT SECURITY

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted equity security at cost	38,000	38,000
Provision for impairment loss	(38,000)	(38,000)
	<u>–</u>	<u>–</u>

At year end date, the Group owned 38,000 shares in Global Cyber Limited, an unlisted company incorporated in the British Virgin Islands, at cost of HK\$38,000,000 which represents 3.8% equity interest held by the Group through one of its subsidiaries, Tem Fat Hing Fung Capital (BVI) Limited. It is opined that due to the time constraint in obtaining adequate financial information regarding the carrying value of this investment at year end date, full provision for impairment loss of HK\$38,000,000 had been made against this investment in the accounts.

Notes to the Accounts (Continued)

19. SHORT TERM LISTED INVESTMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Equity securities – listed in Hong Kong	329,111	366,289
Provision for impairment losses	(301,364)	(255,508)
	<u>27,747</u>	<u>110,781</u>
Market value of listed investments	<u>27,747</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	4.06%	Investment holding
Can Do Holdings Limited	Hong Kong	15.87%	Property development and investment

As at 30th April 2002, all of the above listed investments were pledged to banks and financial creditors to secure general banking facilities granted to the Group.

20. LOAN, TRADE AND OTHER RECEIVABLES

	Group	
	2002 HK\$'000	2001 HK\$'000
Trade debtors	569	4,851
Loan receivables	–	1,157
Other receivables	322	8,065
	<u>891</u>	<u>14,073</u>

The ageing analysis of trade debtors is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
0 – 3 months	151	222
Over 3 months	418	4,629
	<u>569</u>	<u>4,851</u>

The maturity of loan receivables is analysed as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	–	1,157

Notes to the Accounts (Continued)

21. TEMPORARY DEPOSITS, ACCOUNTS PAYABLE AND ACCRUALS

	Group	
	2002 HK\$'000	2001 HK\$'000
Trade creditors	720	–
Temporary deposits, accruals and other payables	230,051	174,112
	<u>230,771</u>	<u>174,112</u>

The ageing analysis of trade creditors is as follows:

	2002 HK\$'000
0 – 3 months	140
Over 3 months	580
	<u>720</u>

22. AMOUNTS DUE TO DIRECTORS

The amounts due to directors by the Group are unsecured, interest-free and have no fixed terms of repayment.

23. PROMISSORY NOTES

The promissory notes, bearing interest at 8% per annum, were due in December 2000. Due to the Group's failure to repay the loan amount, the borrower had filed writ of summons to demand for the repayment of the amount due and petition for the winding-up of the Company, as further detailed in notes 2 and 30 to the accounts.

24. SHARE CAPITAL

Authorised:

	Ordinary shares of HK\$0.025 each		6% Convertible cumulative redeemable preference shares of HK\$1 each		Total HK\$'000
	Number of shares	HK\$'000	Number of shares	HK\$'000	
At 30th April 2001 and 30th April 2002	6,800,000,000	170,000	100,000,000	100,000	270,000

Issued and fully paid:

At 30th April 2001	2,877,392,631	71,935	2,551,990	2,552	74,487
Issue of shares under share option scheme (note b(i) & (ii))	219,000,000	5,475	–	–	5,475
Issue of shares (note b(iii))	1,126,171,110	28,154	–	–	28,154
Redemption of shares (note b(vi))	–	–	(2,000)	(2)	(2)
At 30th April 2002	<u>4,222,563,741</u>	<u>105,564</u>	<u>2,549,990</u>	<u>2,550</u>	<u>108,114</u>

Notes to the Accounts *(Continued)*

24. SHARE CAPITAL *(Continued)*

(a) Preference shares

A holder of the convertible preference shares is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK\$5 per share to be paid half-yearly on 30th June and 31st December in each year.

A holder of the convertible preference shares may convert his shares held at any time into ordinary shares at the conversion price of HK\$0.588, subject to adjustment.

The convertible preference shares may be redeemed by the shareholders at any time after 30th June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the convertible preference shares at any time at the notional value of the convertible preference shares if the average of the closing prices of the Company's ordinary share quoted on The Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

(b) During the year, the following changes in the Company's issued share capital took place:

- (i) 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 to employees of the Company for the subscription of new ordinary shares in the Company. 80 million of 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.
- (ii) 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 share option 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.
- (iii) 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.
- (iv) The excess of the share consideration over the nominal value of the issued shares in note(i) to note(iii) above of HK\$2,471,000 was credited to the share premium account (note 25).
- (v) All of the above new shares rank *pari passu* with the existing shares in all respects.
- (vi) 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 by transferring the amount of profit of HK\$2,000 to capital redemption reserve (note 25) and reducing the share premium account by HK\$8,000 (note 25).

Notes to the Accounts (Continued)

24. SHARE CAPITAL (Continued)

(c) Share options

Under the share option scheme of the Company approved by the shareholders in the annual general meeting held on 27th October 1998, the Board may at their discretion invite any full-time employees, including full-time executive directors, of the Group to take up options to subscribe for ordinary shares of HK\$0.025 each of the Company subject to the terms and conditions stipulated in the scheme. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued capital of the Company.

(d) The capital restructuring included in the Restructuring Proposal as mentioned in note 2 to the accounts involves the following steps:

- (i) The nominal value of the 4,222,563,741 issued shares as at the date of approval of these accounts will be reduced from HK\$0.025 to HK\$0.00025 each. As a result, the Company's issued share capital of HK\$105,564,094 will be reduced by HK\$104,508,453 to HK\$1,055,641.

The entire credit balance of HK\$104,508,453 arising from the capital reduction shall be applied to reduce the accumulated losses of the Company.

- (ii) Each of the 2,577,436,259 unissued shares of HK\$0.025 each will be subdivided into 100 unissued shares of HK\$0.00025 each and hence the total unissued shares will become 257,743,625,900.
- (iii) Every 200 shares of HK\$0.00025 each will be consolidated into one new share of nominal value of HK\$0.05. Accordingly, 4,222,563,741 issued shares of HK\$0.00025 each will be consolidated into 21,112,819 new shares of HK\$0.05 each and 257,743,625,900 unissued shares of HK\$0.00025 each will be consolidated into 1,288,718,130 unissued new shares of HK\$0.05 each.
- (iv) Authorised share capital will be increased from HK\$65,491,547, comprising 21,112,819 issued new shares and 1,288,718,130 unissued new shares of HK\$0.05 each, to HK\$200,000,000 divided into 4,000 million new shares of HK\$0.05 each.

25. RESERVES

Group

	Share premium HK\$'000	Negative goodwill HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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
Exchange translation differences	-	-	-	(46)	-	(46)
Share issue expenses	(5)	-	-	-	-	(5)
Premium on redemption of preference shares	(8)	-	-	-	-	(8)
Transfer on redemption of preference shares	-	-	2	-	(2)	-
Loss for the year	-	-	-	-	(179,698)	(179,698)
Dividends	-	-	-	-	(765)	(765)
At 30th April 2002	<u>671,761</u>	<u>41,796</u>	<u>2,241</u>	<u>(38,880)</u>	<u>(1,518,546)</u>	<u>(841,628)</u>

Notes to the Accounts (Continued)

25. RESERVES (Continued)

Group (Continued)

	Share premium HK\$'000	Negative goodwill HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Retained by:						
Company and subsidiaries	671,761	–	2,241	4,977	(1,424,218)	(745,239)
Jointly controlled entities	–	41,796	–	(43,857)	(94,328)	(96,389)
At 30th April 2002	<u>671,761</u>	<u>41,796</u>	<u>2,241</u>	<u>(38,880)</u>	<u>(1,518,546)</u>	<u>(841,628)</u>

	Share premium HK\$'000	Negative goodwill HK\$'000	Capital redemption reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st May 2000	578,932	129,096	2,239	6,742	53,131	(39,483)	(562,628)	168,029
Exchange translation differences	–	–	–	–	–	1,405	–	1,405
Issue of ordinary shares	92,684	–	–	–	–	–	–	92,684
Share issue expenses	(2,313)	–	–	–	–	–	–	(2,313)
Share of reserve movements of associates	–	–	–	(6,742)	–	(29)	–	(6,771)
Realisation of reserves/ capital reserve upon reclassification of subsidiaries and an associate to short term listed investments	–	(87,300)	–	–	(53,131)	(727)	–	(141,158)
Loss for the year	–	–	–	–	–	–	(774,688)	(774,688)
Dividends	–	–	–	–	–	–	(765)	(765)
At 30th April 2001	<u>669,303</u>	<u>41,796</u>	<u>2,239</u>	<u>–</u>	<u>–</u>	<u>(38,834)</u>	<u>(1,338,081)</u>	<u>(663,577)</u>

Retained by:

Company and subsidiaries	669,303	–	2,239	–	–	5,023	(1,252,126)	(575,561)
Jointly controlled entities	–	41,796	–	–	–	(43,857)	(85,955)	(88,016)
At 30th April 2001	<u>669,303</u>	<u>41,796</u>	<u>2,239</u>	<u>–</u>	<u>–</u>	<u>(38,834)</u>	<u>(1,338,081)</u>	<u>(663,577)</u>

Notes to the Accounts (Continued)

25. RESERVES (Continued)

Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st May 2000	578,932	2,239	(493,470)	87,701
Issue of ordinary shares	92,684	–	–	92,684
Share issue expenses	(2,313)	–	–	(2,313)
Loss for the year	–	–	(281,316)	(281,316)
Dividends	–	–	(765)	(765)
	<u>669,303</u>	<u>2,239</u>	<u>(775,551)</u>	<u>(104,009)</u>
At 30th April 2001	669,303	2,239	(775,551)	(104,009)
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 year	–	–	(603,107)	(603,107)
Dividends	–	–	(765)	(765)
	<u>671,761</u>	<u>2,241</u>	<u>(1,379,425)</u>	<u>(705,423)</u>
At 30th April 2002	<u>671,761</u>	<u>2,241</u>	<u>(1,379,425)</u>	<u>(705,423)</u>

26. DEFERRED TAXATION

No provision for deferred taxation has been made as the effect of all timing differences is insignificant (2001: Nil).

The principal component of an unrecognised deferred tax asset is as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax losses	<u>69,505</u>	<u>64,580</u>	<u>52,399</u>	<u>48,278</u>

Deferred taxation has not been provided on revalued assets because the revaluation does not constitute a timing difference.

Notes to the Accounts *(Continued)*

27. CONTINGENT LIABILITIES

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Guarantees have been given in respect of banking facilities of RM250,000,000 available to jointly controlled entities (an amount of HK\$160,155,000 was utilised as at 30th April 2002 (2001: HK\$160,155,000))	160,155	160,155
Guarantees in respect of certain obligations of an investee company	–	148,000
Others	3,000	3,000
	<u>163,155</u>	<u>311,155</u>
	Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Guarantees have been given in respect of banking facilities made available to:		
– subsidiaries	67,407	66,900
– jointly controlled entities	160,155	160,155
Guarantees in respect of certain obligations of made available to:		
– an investee company	–	148,000
– a subsidiary (<i>note a</i>)	54,765	–
	<u>282,327</u>	<u>375,055</u>

Note a:

Subsequent to the balance sheet date, the Board of the Company passed a resolution to ratify the provision of a corporate guarantee given during the year ended 30th April 2001 for the repayment of the amount due from a wholly-owned subsidiary to a creditor. Prior year's figures have not been restated as there were no material financial effects to the Company as at 30th April 2001.

28. COMMITMENTS UNDER OPERATING LEASES

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
At 30th April 2002, the Group's future minimum lease payments under non-cancellable operating leases are payable as follows:		
Land and buildings		
– within one year	3,000	3,694
– after one and within five years	3,000	6,000
	<u>6,000</u>	<u>9,694</u>

The Company leases an office premises under operating lease. The lease runs for an initial period of five years commencing from 3rd May 1999. The lease does not include any contingent rentals.

Notes to the Accounts *(Continued)*

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss for the year after finance costs to net cash inflow/(outflow) from operating activities

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating loss for the year after finance costs	(171,427)	(399,883)
Finance costs	74,330	118,094
Interest income	(175)	(72,757)
Impairment loss recognised in respect of goodwill		
on purchase of a subsidiary	111	–
Gain on disposal of subsidiaries	–	(295)
Loss on disposal of other assets	–	530
Provision for accounts receivable	865	82,997
Provision for impairment losses on interests in associates	4,450	–
Provision for impairment loss on an investment security	–	38,000
(Gain)/loss on disposal of fixed assets	(640)	14,187
Deficit on revaluation of an investment property	–	3,318
Depreciation	161	8,768
Loss on disposal of investment in preference shares of a subsidiary	–	24,628
Gain on reclassification of a subsidiary to short term listed investment	–	(51,877)
Gain on reclassification of an associate to short term listed investment	–	(124,602)
Provision for impairment losses on short term listed investments	62,705	255,508
Decrease in short term listed investments	20,329	44,762
Decrease in gold bullion and inventories	–	12,309
Decrease/(increase) in bullion finance debtors and loan, trade and other receivables	12,922	(184,769)
Decrease in prepayments and deposits	680	39,386
Decrease in net amount due from bullion brokerage customers	–	55,668
Decrease in temporary deposits, accounts payable and accruals	(1,416)	(97,691)
Increase in amounts due to directors	3,232	–
Decrease in gold loan payables	–	(4,988)
Exchange translation differences	(46)	1,656
	<u>6,081</u>	<u>(237,051)</u>
Net cash inflow/(outflow) from operating activities	<u>6,081</u>	<u>(237,051)</u>

Notes to the Accounts (Continued)

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

(b) Analysis of changes in financing during the year

	Share capital and share premium		Convertible notes		Minority interests		Bank loans, other loans and promissory notes (with original maturity over three months)	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st May	743,790	638,172	-	202,401	492	612,802	547,242	619,795
Proceeds on placement of new shares	36,100	107,931	-	-	-	-	-	-
Share issue expenses	(5)	(2,313)	-	-	-	-	-	-
Redemption of preference shares	(10)	-	-	-	-	-	-	-
Increase in amounts due to minority shareholders	-	-	-	-	-	216	-	-
New bank and other loans	-	-	-	-	-	-	-	198,534
Repayment of bank and other loans	-	-	-	-	-	-	(21,150)	(66,294)
Exchange realignment	-	-	-	-	-	-	-	278
Net cash inflow from financing	36,085	105,618	-	-	-	216	(21,150)	132,518
Arising from reclassification of subsidiaries to short term listed investment	-	-	-	(202,401)	-	(588,239)	-	(205,071)
Consideration for partial disposal of subsidiary to offset amount due to minority shareholders	-	-	-	-	-	(29,818)	-	-
Share of loss and reserve movements	-	-	-	-	(269)	5,531	-	-
Purchase of a subsidiary	-	-	-	-	(223)	-	-	-
	-	-	-	(202,401)	(492)	(612,526)	-	(205,071)
Balance at 30th April	779,875	743,790	-	-	-	492	526,092	547,242

Notes to the Accounts *(Continued)*

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Sales of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of:		
Accounts payable and accrued expenses	–	(295)
Gains on disposal of subsidiaries	–	295
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
Satisfied by:		
Consideration	–	–
	<u>–</u>	<u>–</u>

(d) Reclassification of subsidiaries to short term listed investment

	2002 HK\$'000	2001 HK\$'000
Net assets deconsolidated:		
Non-current assets	–	505,700
Current assets	–	1,456,699
Current liabilities	–	(430,352)
Share capital and premium	–	(127,000)
Minority interests	–	(588,239)
Convertible notes	–	(202,401)
Long term liabilities	–	(205,071)
	<u>–</u>	<u>409,336</u>
Exchange reserve realised	–	(3,008)
Capital reserve realised	–	(7,628)
Other properties revaluation reserve realised	–	(53,132)
Gains on reclassification of subsidiaries to short term listed investment	–	51,877
	<u>–</u>	<u>397,445</u>
	<u>–</u>	<u>397,445</u>
Satisfied by:		
Reclassified as short term listed investment	–	364,656
Set off by the amount payable by the Group	–	32,789
	<u>–</u>	<u>397,445</u>
	<u>–</u>	<u>397,445</u>

Notes to the Accounts *(Continued)*

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Reclassification of subsidiaries to short term listed investment *(Continued)*

Analysis of the net inflow of cash and cash equivalents in respect of the reclassification of subsidiaries to short term listed investment:

	2002 HK\$'000	2001 HK\$'000
Cash and bank balances disposed of	–	(5,977)
Short term bank loans and overdrafts disposed of	–	128,094
	<u>–</u>	<u>128,094</u>
Net inflow of cash and cash equivalents	<u>–</u>	<u>122,117</u>

(e) Purchase of a subsidiary

	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Fixed asset	3	–
Inventory	30	–
Accounts receivables	552	–
Prepayments and deposits	2	–
Bank balance	20	–
Accounts payable and accrued expenses	(1,274)	–
Minority interest	223	–
	<u>(444)</u>	<u>–</u>
Goodwill	<u>111</u>	<u>–</u>
	<u>(333)</u>	<u>–</u>
Satisfied by:		
Cash consideration*	–	–
Reclassified from an associate	<u>(333)</u>	<u>–</u>
Analysis of the net inflow of cash and cash equivalents in respect of purchase of a subsidiary:		
Bank balance acquired	<u>20</u>	<u>–</u>

* The cash consideration is HK\$1

Notes to the Accounts *(Continued)*

30. LITIGATION

The Company has been involved in a material litigation in respect of allegation made by a promissory note holder for the outstanding amount payable of HK\$357,175,000 together with the interest of approximately HK\$41,033,000 accrued thereon and petition was made by that promissory note holder for the winding up of the Company. It is not possible to determine the outcome of this proceedings with reasonable certainty at this stage and in the opinion of the directors of the Company, the outstanding amounts will be settled upon the completion of debt restructuring proposal as referred to in note 2 to the accounts and proper disclosure has been made in the accounts.

In addition, Shanghai Non-Ferrous Metals Hing Fung Properties Development Limited ("SNMHF"), a wholly-owned subsidiary of the Company, has been involved in a litigation in respect of certain claims made by a third party (the "Third Party") for the payment of RMB1,586,418 arising from the sale of certain properties in Shanghai. Judgement was obtained in favour of SNMHF. The Third Party filed a notice of appeal against the judgment whereby the appeal was fixed to be heard on 16th October 2002. As the case is pending appeal, in the opinion of the directors, it is impossible to estimate the financial effect of this litigation to the Group at this stage.

31. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Details of the Group's significant transactions with the following related parties during the year, together with balances with them as at 30th April 2002, are as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Investee companies:		
Rental expenses	3,997	3,806
Balances due from the Group	4,300	–
Balances due to the Group	–	1,684
Provisions	–	(1,413)
	<u> </u>	<u> </u>
Associates:		
Interest income	–	11,240
Management fee income	40	–
Balances due from the Group	375	464
Balances due to the Group	1,296	1,549
Provisions	(1,296)	–
	<u> </u>	<u> </u>
Jointly controlled entities:		
Consultancy fee paid	2,400	2,400
Balances due from the Group	74	20
Balances due to the Group	126,419	124,012
	<u> </u>	<u> </u>
Shareholder and its subsidiaries:		
Consultancy fee paid	5,712	–
	<u> </u>	<u> </u>

It is opined that the above transactions were entered into on normal commercial terms. The balances are unsecured, interest free and have no fixed repayment term.

Notes to the Accounts *(Continued)*

32. SUBSEQUENT EVENTS

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 30th April 2002, which has been disclosed as part of the Group's and Company's contingent liabilities (note 27 to the accounts). 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 these outstanding borrowings during the year end. 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. However, in the opinion of the directors, the final outcome of the receivership is still uncertain and the financial effect to the Group cannot be estimated.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company	Place of incorporation/ operation	Issued and paid up capital	Attributable percentage of shares held		Class of shares held	Principal activities
			Directly	Indirectly		
Tem Fat Hing Fung Capital (BVI) Limited	British Virgin Islands	HK\$1	100%	–	Ordinary	Investment holding
Tem Fat Hing Fung Capital Limited	Hong Kong	HK\$2	–	100%	Ordinary	Securities investment
Shanghai Non-Ferrous Metals Hing Fung Properties Development Limited	The People's Republic of China	RMB87,350,400	–	100%	Ordinary	Property development and investment
Sky Lead International Limited	British Virgin Islands	US\$1	100%	–	Ordinary	Investment holding
Lucas Consultants Limited	British Virgin Islands	US\$1	100%	–	Ordinary	Management Services
TEMFAT Investments (Holdings) Limited	British Virgin Islands	US\$1	100%	–	Ordinary	Investment holding
Volaton Limited	British Virgin Islands	US\$1	100%	–	Ordinary	Investment holding

Notes to the Accounts *(Continued)*

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Company	Place of incorporation/ operation	Issued and paid up capital	Attributable percentage of shares held		Class of shares held	Principal activities
			Directly	Indirectly		
Chimstar Limited	British Virgin Islands	US\$10,000	–	100%	Ordinary	Investment holding
Vast Profits Limited	British Virgin Islands	US\$3	66.7%	–	Ordinary	Investment holding
Chain Gold Agents Limited	British Virgin Islands/Hong Kong	US\$1	100%	–	Ordinary	Investment holding
Peniston Developments Limited	British Virgin Islands/Hong Kong	US\$1	–	100%	Ordinary	Investment holding
Tem Fat Hing Fung Investments (China) Limited	Hong Kong	HK\$186,174,592	–	100%	Ordinary	Investment holding
Leck Chiong Limited	British Virgin Islands	US\$1	–	100%	Ordinary	Property investment
Tem Fat Hing Fung (Malaysia) Sdn. Bhd.	Malaysia	RM2,500,000	100%	–	Ordinary	Investment holding and provision of management services
Popular International Investment Limited	Hong Kong	HK\$3	–	66.67%	Ordinary	Sales of ginseng and bird's nest

Notes to the Accounts *(Continued)*

34. PARTICULARS OF ASSOCIATES

Company	Place of incorporation/ operation	Principal activities	Attributable equity interest
Carp and Associates Limited	Hong Kong	Investment holding	35%
First Alliance Assets Management Limited	Malaysia	Property development	33%
Simen Used Machineries & Parts Limited	Hong Kong	Investment holding	30%

35. PARTICULARS OF JOINTLY CONTROLLED ENTITIES

Company	Place of incorporation/ operation	Principal activities	Attributable equity interest
Yetcome Investments Limited	British Virgin Islands	Investment holding	33%
T & T Properties Sdn. Bhd.	Malaysia	Property development	33%
Prizevest Sdn. Bhd.	Malaysia	Property development	23%
Top Priority Sdn. Bhd.	Malaysia	Property development	23%
Victec Enterprise Sdn. Bhd.	Malaysia	Property development	23%

36. COMPARATIVE FIGURES

In the current year, the Company has adopted the new/revised SSAPs, as mentioned in note 3(a) to the accounts for the first time. The presentation in the current year'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.

37. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the board of directors on 4th October 2002.