Notes to Financial Statements

30 April 2003

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.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of bullion, futures and securities broking and trading, the provision of margin and loan financing, shipment sales of metals and metal scraps, the holding of investment properties in Hong Kong and mining operations in Mainland China.

During the year, the Group discontinued its business involving the provision of in-warehouse metal sales, following the abandonment of the operations of a wholly-owned subsidiary of the Company.

Other than the foregoing, there were no significant changes in the nature of the Group's principal activities during the year.

2. BASIS OF PRESENTATION

For the year ended 30 April 2003, the Group recorded a net loss attributable to the shareholders of approximately HK$97,364,000 and had net current liabilities of approximately HK$19,952,000 as at 30 April 2003.

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) the directors are in active negotiations with certain creditors of the Group to reschedule the repayment of certain overdue and outstanding overdrafts and other borrowings and to seek the creditors' ongoing support of the Group;

(b) the directors have undertaken various asset disposal plans, including but not limited to, the disposal of certain investment properties and certain equity interests in subsidiaries principally engaged in the mining operations in Mainland China, as further detailed in notes 16 and 46 to the financial statements. The directors anticipate that the proposed asset disposal plans will be completed during the next few months; and

2. BASIS OF PRESENTATION (continued)

(c) the directors have been taking 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 as planned, the Group will have sufficient working capital and cash resources for its operational and other financial requirements. 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 2003.

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 any such adjustments has not been reflected in the financial statements.

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 33: "Discontinuing operations"
- SSAP 34: "Employee benefits"

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 these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision to this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries, jointly-controlled entitles and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling as at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates as at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates as at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policies for “Cash and cash equivalents” and “Foreign currencies” in note 4 to the financial statements.

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2 “Net profit or loss for the period, fundamental errors and changes in accounting policies”. The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group’s discontinued operations are now included in the consolidated profit and loss account, consolidated cash flow statement and note 5 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. Disclosures are now required in respect of the Company’s share option schemes, as detailed in note 36 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the adoption of this SSAP.

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 2003. 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

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 results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. 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, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, 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, directly or indirectly, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any 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.

SSAP 30 "Business combinations" was adopted as at 1 May 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 May 2001 is accounted for in accordance with the SSAP 30 goodwill 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 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.

SSAP 30 "Business combinations" was adopted as at 1 May 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to 1 May 2001 is treated according to the SSAP 30 negative goodwill 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.

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.

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

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 end of each financial year. 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.

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 long term assets held on a long term basis are stated at cost less any impairment losses, on an individual basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Provisions for future environmental restoration costs are made based on the present value of the future costs expected to be incurred.

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;

– dividend income, when the shareholders' right to receive payment has been 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group to the balance sheet date.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. 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 an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. When an employee leaves the MPF 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 of the MPF retirement benefits scheme, the Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group has joined a mandatory central pension scheme operated by the PRC government for its PRC employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme. The employer contributions vest fully once they are made.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates 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 into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 3 to the financial statements, the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has had no material effect on the amounts of the previously-reported cash flows of the prior year.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

5. DISCONTINUED OPERATIONS

During the year, the Group discontinued its business involving the provision of in-warehouse metal sales, following the abandonment of the operations of a wholly-owned subsidiary of the Company.

No turnover was generated from the discontinued operations for the current year (2002: HK$135,237,000). The operating loss before tax arising from the discontinued operations was HK$157,000 (2002: HK$2,207,000).

Due to the abandonment of these operations, the turnover and the loss from operating activities in respect of the Group's in-warehouse metal sales operation for the year, together with the corresponding amounts for the prior period, are classified and disclosed under discontinued operations in accordance with SSAP 33.

5. DISCONTINUED OPERATIONS (continued)

	2003	2002
	HK$'000	HK$'000
Turnover	**–**	135,237
Cost of sales	**–**	(126,354)
Gross profit	**–**	8,883
Other revenue	**–**	3,012
Selling and distribution costs	**–**	(1,627)
Administrative expenses	**(157)**	(8,061)
Profit/(loss) from operating activities	**(157)**	2,207
Finance costs	**–**	–
Profit/(loss) before tax	**(157)**	2,207
Tax	**–**	–
Net profit/(loss) from ordinary activities attributable to shareholders	**(157)**	2,207

The carrying amounts of the total assets and liabilities relating to the discontinued operations at 30 April were as follows:

	2003	2002
	HK$'000	HK$'000
Total assets	**–**	9,217
Total liabilities	**–**	(10,032)
Net liabilities	**–**	(815)

There were no material gains/(losses) recognised on the disposal of the assets or the settlement of the liabilities attributable to the discontinued operations.

6. SEGMENT INFORMATION

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 mining segment represents the mining operations in Mainland China;

– the corporate and other segment comprises the holding of investment properties and loan financing, together with corporate income and expense items; and

– the in-warehouse metal sales segment engaged in in-warehouse metal sales and was discontinued in the current year (note 5).

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.

6. 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	Continuing operations								Discontinued operations			
	Securities		Shipment sales		Mining		Corporate and others		In-warehouse metal sales		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**11,307**	10,372	**39,674**	55,142	**24,257**	13,826	**5,665**	10,154	**–**	135,237	**80,903**	224,731
Other revenue and gains	**437**	7,857	**–**	–	**–**	–	**2,025**	–	**–**	–	**2,462**	7,857
Total	**11,744**	18,229	**39,674**	55,142	**24,257**	13,826	**7,690**	10,154	**–**	135,237	**83,365**	232,588
Segment results	**(17,032)**	(215,917)	**(2,760)**	(29,407)	**195**	(36,338)	**(76,784)**	(197,736)	**(157)**	2,207	**(96,538)**	(477,191)
Unallocated interest income and gains											**588**	11,049
Unallocated expenses											**(2,380)**	(23,316)
Loss from operating activities											**(98,330)**	(489,458)
Waiver of a loan from a related company											**7,822**	–
Finance costs											**(15,282)**	(17,644)
Share of profits and losses of:												
– jointly-controlled entities	**–**	–	**5,098**	3,789	**–**	–	**(34)**	–	**–**	–	**5,064**	3,789
– associates	**–**	–	**–**	(702)	**–**	–	**(3,718)**	(5,532)	**–**	–	**(3,718)**	(6,234)
Gain on disposal of associates	**–**	–	**–**	–	**–**	–	**5,328**	–	**–**	–	**5,328**	–
Write back of impairment loss on interests in associates	**–**	–	**1,845**	–	**–**	–	**1,493**	–	**–**	–	**3,338**	–
Loss before tax											**(95,778)**	(509,547)
Tax											**(1,458)**	(847)
Loss before minority interests											**(97,236)**	(510,394)
Minority interests											**(128)**	128
Net loss attributable from ordinary activities to shareholders											**(97,364)**	(510,266)

6. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Continuing operations								Discontinued operations			
	Securities		Shipment sales		Mining		Corporate and others		In-warehouse metal sales		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**70,854**	107,966	**2,501**	12,978	**65,070**	60,513	**221,917**	226,553	**–**	9,217	**360,342**	417,227
Interests in associates	**–**	–	**–**	3,160	**–**	–	**(509)**	10,400	**–**	–	**(509)**	13,560
Interests in jointly-controlled entities	**–**	–	**22,028**	26,804	**–**	–	**4,923**	–	**–**	–	**26,951**	26,804
Bank overdrafts included in segment assets	**1,370**	1,900	**–**	–	**–**	–	**–**	–	**–**	–	**1,370**	1,900
Unallocated assets											**1,344**	4,217
Total assets											**389,498**	463,708
Segment liabilities	**47,739**	64,423	**3,415**	41,588	**17,177**	13,126	**240,268**	190,308	**–**	10,032	**308,599**	319,477
Bank overdrafts included in segment assets	**1,370**	1,900	**–**	–	**–**	–	**–**	–	**–**	–	**1,370**	1,900
Unallocated liabilities											**11,536**	9,026
Total liabilities											**321,505**	330,403
Other segment information:												
Depreciation and amortisation	**3,374**	3,506	**13**	1,252	**4,816**	2,681	**2,349**	786	**–**	–	**10,552**	8,225
Provision for bad and doubtful debts	**666**	5,552	**51**	9,211	**–**	–	**100**	280	**–**	–	**817**	15,043
Impairment losses recognised in the profit and loss account	**–**	196,265	**–**	4,737	**–**	31,821	**16,966**	167,777	**–**	–	**16,966**	400,600
Deficit on revaluation of investment properties recognised in the profit and loss account	**–**	–	**–**	–	**–**	–	**25,376**	32,580	**–**	–	**25,376**	32,580
Capital expenditure	**1,408**	2,187	**–**	1,009	**4,152**	–	**48**	4,690	**–**	–	**5,608**	7,886

6. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Mainland China		Hong Kong		United Kingdom		Others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:										
Sales to external customers	28,114	15,264	40,467	55,677	–	135,237	12,322	18,553	80,903	224,731
Other segment information:										
Segment assets	92,021	87,318	297,477	295,112	–	–	–	36,697	389,498	419,127
Bank overdrafts included in segment assets	–	–	12,906	17,497	–	–	–	–	12,906	17,497
Capital expenditure	4,152	879	1,456	2,317	–	–	–	4,690	5,608	7,886

7. 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:

	2003 HK$'000	2002 HK$'000
Turnover		
Continuing operations:		
Fees and commission income from bullion, securities and futures broking	**14,796**	22,256
Loss on trading of bullion, securities and futures contracts	**(3,897)**	(13,323)
Interest income from margin financing activities	**408**	1,439
Interest income from loan financing activities	**–**	196
Shipment sales – Metals	**38,877**	52,031
– Metal scraps	**24,321**	15,499
– Others	**733**	1,438
Gross rental income	**5,665**	9,958
Discontinued operations:	**80,903**	89,494
In-warehouse metals sales	**–**	135,237
	80,903	224,731
Other revenue and gains		
Interest income	**266**	858
Profit on disposal of non-trading investments	**–**	7,857
Dividend income from listed investments	**542**	477
Gain on deemed disposal of an associate	**–**	5,910
Others	**1,892**	3,804
	2,700	18,906
Other gains		
Gain on partial disposal of subsidiaries	**350**	–
Gain on disposal of associates	**5,328**	–
Write back of impairment loss on interests in associates	**3,338**	–
	92,619	243,637

8. LOSS FROM OPERATING ACTIVITIES

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

	2003	2002
	HK$'000	HK$'000
Cost of inventories sold *	54,963	201,539
Auditors' remuneration	720	800
Depreciation *	6,806	6,005
Amortisation of intangible assets **	3,746	2,220
Research and development costs:		
Current year expenditure	1,588	1,917
Provision for inventory obsolescence *	1,235	728
Provision for bad and doubtful debts **	817	15,043
Minimum lease payments under operating leases on land and buildings	3,411	8,441
Staff costs (including directors' remuneration – note 10):		
Wages and salaries	19,068	27,657
Pension scheme contributions	329	607
Mandatory provident fund contributions	406	543
Less: Forfeited contributions refunded/offset	(70)	(322)
Net pension contributions	665	828
Total staff costs	19,733	28,485
Gross rental income	(5,665)	(9,958)
Less: Outgoings	98	65
Net rental income	(5,567)	(9,893)
Unrealised holding loss on trading investments	7,573	15,306
Loss on disposal/write-off of fixed assets **	1,767	99
Write back of impairment loss on interests in associates	7,455	–
Impairment loss on interests in associates	(4,117)	–
Exchange losses/(gains), net	113	(2,108)

* The cost of sales for the year ended 30 April 2003 included HK$3,890,000 (2002: HK$2,338,000), relating to direct staff costs, depreciation and provision for inventory obsolescence, which are also included in the respective total amounts disclosed separately above for each of these types of expenses for the year.

** The provision for bad and doubtful debts, amortisation of intangible assets and loss on disposal of/write-off of fixed assets for the year are included in "Other operating expenses" on the face of the consolidated profit and loss account.

9. FINANCE COSTS, NET

	2003 HK$'000	2002 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**9,211**	17,644
Interest on convertible note	**86**	–
Interest on convertible bonds	**1,803**	–
Rental income pledged against the convertible bonds interest *	**(967)**	–
Expenses in relation to issue of convertible bonds	**5,149**	–
	15,282	17,644

* The rental income of HK$967,000 earned from the Group's investment properties was assigned and directly paid to a bank for settlement of interest on the Bonds (as defined in note 31).

10. DIRECTORS' REMUNERATION

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

	2003 HK$'000	2002 HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**300**	300
	300	300
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**2,131**	3,704
Pension scheme contributions	**96**	107
	2,227	3,811

10. DIRECTORS' REMUNERATION (continued)

The number of directors whose remuneration fell within the following bands:

	Number of directors	
	2003	2002
Nil – HK$1,000,000	**6**	6
HK$1,000,001 – HK$1,500,000	**1**	2
	7	8

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

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2002: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2002: three) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining two (2002: two) non-director, highest paid employees are set out below.

	2003	2002
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**902**	1,327
Pension scheme contributions	**42**	41
	944	1,368

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

During the year, there were no bonuses paid to or receivable by any of the five highest paid individuals of the Group (2002: Nil). No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2002: Nil).

12. TAX

	2003	2002
	HK$'000	HK$'000
Group:		
Elsewhere than Hong Kong	253	–
Underprovision in prior years	–	530
Deferred tax – note 32	–	3
	253	533
Share of tax attributable to associates	515	(302)
Share of tax attributable to jointly-controlled entities	690	616
Tax charge for the year	1,458	847

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Xinjiang Yakesi Resources Co. Ltd. ("Xinjiang Yakesi"), a subsidiary of the Company established in Mainland China, was exempted from corporate income tax in Mainland China for the two years starting from the year ended 31 December 2000, and thereafter is eligible for a 50% relief from income tax for the following three years under the Income Tax Law of Mainland China. The standard corporate income tax rate in the Mainland China applicable to Xinjiang Yakesi is 33%. As a result of the exemptions, Xinjiang Yakesi was exempted from the paying of corporate income tax for the years ended 31 December 2000 and 2001, and is subject to corporate income tax at the rate of 18% for the year ended 31 December 2002 and the years ending 31 December 2003 and 2004.

13. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders for the year ended 30 April 2003 dealt with in the financial statements of the Company is HK$117,130,000 (2002: HK$216,342,000).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of HK$97,364,000 (2002: HK$510,266,000) and the weighted average of 346,997,326 shares in issue during the year (2002: 228,955,450 shares).

14. LOSS PER SHARE (continued)

Diluted loss per share amounts for the years ended 30 April 2003 and 2002 have not been disclosed, as the share options and Bonds (as defined in note 31) outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

The effect of the Note (as defined in note 31) has not been included in the computation of diluted loss per share as the shares to be so issued would be fairly priced and are assumed to be neither dilutive nor anti-dilutive.

15. FIXED ASSETS

Group

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, equipment and motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:					
At beginning of year	69,686	8,521	10,552	20,016	108,775
Additions	–	26	250	1,486	1,762
Disposal of subsidiaries	–	(266)	–	(5,255)	(5,521)
Disposals/write-off	(505)	(1,676)	(172)	(527)	(2,880)
At 30 April 2003	**69,181**	**6,605**	**10,630**	**15,720**	**102,136**
Accumulated depreciation and impairment:					
At beginning of year	30,468	5,035	1,892	9,710	47,105
Provided during the year	2,099	1,282	1,079	2,346	6,806
Impairment during the year recognised in the profit and loss account	2,724	–	–	–	2,724
Disposal of subsidiaries	–	(172)	–	(655)	(827)
Disposals/write-off	(34)	(654)	(16)	(190)	(894)
At 30 April 2003	**35,257**	**5,491**	**2,955**	**11,211**	**54,914**
Net book value:					
At 30 April 2003	**33,924**	**1,114**	**7,675**	**4,509**	**47,222**
At 30 April 2002	39,218	3,486	8,660	10,306	61,670

15. 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	5,231	27,281
	63,950	5,231	69,181

As at 30 April 2003, all leasehold land and buildings in Hong Kong and certain of the Group's plant and machinery with net book values of HK$30,256,000 and HK$5,878,000 respectively (2002: HK$39,218,000 and HK$6,694,000), were pledged to secure banking facilities granted to the Group (note 39).

16. INVESTMENT PROPERTIES

	Group	
	2003	2002
	HK$'000	HK$'000
At beginning of year	**148,570**	181,150
Revaluation deficit	**(25,376)**	(32,580)
At 30 April	**123,194**	148,570

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

	Group	
	2003	2002
	HK$'000	HK$'000
Long term leases	**104,730**	126,800
Medium term leases	**18,464**	21,770
	123,194	148,570

16. INVESTMENT PROPERTIES (continued)

As at 30 April 2003, certain investment properties with an aggregate carrying value of HK$123,194,000 were revalued on an open market existing use basis by K.T. Liu Surveyors Limited, a firm of independent professional valuers. On 5 June 2003, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose of an investment property at a cash consideration equivalent to its carrying value of HK$3,880,000. Accordingly, no material gains or losses arose therefrom (notes 30 and 46(a)).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 41 to the financial statements.

All investment properties were pledged to banks to secure banking facilities granted to the Group (note 39).

Further particulars of the Group's investment properties are included on page 92 of this Annual Report.

17. GOODWILL AND NEGATIVE GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of a subsidiary, is as follows:

Group

	HK$'000
Cost:	
At beginning of year and 30 April 2003	3,602
Accumulated amortisation and impairment:	
At beginning of year and 30 April 2003	3,602
Net book value:	
At 30 April 2002 and 2003	–

As detailed in note 4 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted 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. Prior to 1 May 2002, the Group's remaining goodwill eliminated against consolidated reserves of HK$304,506,000 was fully impaired.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**41,510**	41,510
Due from subsidiaries	**1,549,921**	1,387,526
Due to subsidiaries	**(38,018)**	–
	1,553,413	1,429,036
Provision for impairment	**(1,351,549)**	(1,300,106)
	201,864	128,930

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

Particulars of the principal subsidiaries are set out in note 45 to the financial statements.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets	**27,045**	20,350
Loans to jointly-controlled entities	**377**	6,648
Due to a jointly-controlled entity	**(471)**	(194)
	26,951	26,804

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

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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 (廣西德鑫鋁業有限公司)	Corporate	Mainland China	50%	50%	Trading and manufacturing of aluminium products
Chengdu Goldsilver Limited (成都高賽爾金銀有限公司)	Corporate	Mainland China	42%	49%	Trading and manufacturing of precious metals
南京熊貓網絡科技有限公司 *	Corporate	Mainland China	50%	50%	Data communication terminal products and network communication products

* Established by the Group during the current year.

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

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

According to the joint venture agreements, neither of the joint venturers has unilateral control over the activities of these entities.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

A summary of the results for the year and the assets as at the balance sheet date of a material jointly-controlled entity is set out below:

	2003 HK$'000	2002 HK$'000
OPERATING RESULTS		
Turnover	123,240	121,235
Net profit attributable to shareholders	8,960	4,526
Dividends	4,673	7,102
ASSETS AND LIABILITIES		
Non-current assets	48,624	56,182
Current assets	22,496	24,651
Current liabilities	(28,411)	(29,644)
Non-current liabilities	–	(12,874)

20. INTERESTS IN ASSOCIATES

	Group	
	2003 HK$'000	2002 HK$'000
Share of net assets	–	16,383
Loan to an associate	2,100	2,100
Due from associates	15	47
Due to associates	(524)	(2,870)
	1,591	15,660
Provision for impairment	(2,100)	(2,100)
	(509)	13,560

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 for 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.

20. 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 2003	2002	Principal activities
Simsen Used Machineries and Parts Limited	Corporate	Hong Kong	HK$10,000	**50%**	50%	Investment holding
Guangdong Simton International Leasing Corporation Limited *	Corporate	Mainland China	RMB8,288,737	**25%**	25%	Trading and leasing of plant and machinery
Simsen International Commodities Limited ("Simsen Commodities")**	Corporate	British Virgin Islands/ Hong Kong	US$200	**–**	49%	Investment holding

* 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.

** On 25 April 2003, the Group disposed of its entire interest in Simsen Commodities to one of the directors and shareholders of Simsen Commodities at a consideration of HK$7,500,000, of which HK$1,000,000 was settled by cash during the year; HK$3,900,000 was subsequently settled in May 2003; and the remaining HK$2,600,000 was settled by assignment of the amounts due to Simsen Commodities by the Group to the purchaser.

21. INTANGIBLE ASSETS

Group

	Trading rights HK$'000	Mining rights HK$'000	Total HK$'000
Cost:			
At beginning of year	24,884	72,839	97,723
Additions	–	3,846	3,846
Disposal	(4,900)	–	(4,900)
At 30 April 2003	19,984	76,685	96,669
Accumulated amortisation and impairment:			
At beginning of year	12,038	33,529	45,567
Provided during the year	575	3,171	3,746
Disposal	(2,400)	–	(2,400)
At 30 April 2003	**10,213**	**36,700**	**46,913**
Net book value:			
At 30 April 2003	**9,771**	**39,985**	**49,756**
At 30 April 2002	12,846	39,310	52,156

22. INVESTMENTS IN SECURITIES

	Group	
	2003	2002
	HK$'000	HK$'000
Non-trading investments:		
Listed equity investments in Hong Kong, at market value	**41**	63
Unlisted equity investments in Hong Kong, at fair value	**485**	485
Unlisted equity investments outside Hong Kong, at fair value	**22,078**	20,164
Less: Provision for impairment	**(15,164)**	(922)
	6,914	19,242
	7,440	19,790
Less: Portion classified as current assets	**(41)**	(63)
Long term portion	**7,399**	19,727
Trading investments:		
Listed equity investments in Hong Kong, at market value	**2,957**	10,562
Unlisted equity investments outside Hong Kong, at fair value	**–**	26,549
	2,957	37,111
Investment in securities classified as current assets:		
Non-trading investments	**41**	63
Trading investments	**2,957**	37,111
	2,998	37,174

The market values of the listed equity investments at the date of approval of these financial statements were approximately HK$5,425,000.

23. OTHER LONG TERM ASSETS

	Group	
	2003	2002
	HK$'000	HK$'000
Cost of membership of the Chinese Gold and Silver Exchange Society	**2,000**	2,000
Deposits with SEHK:		
Compensation Fund	**200**	250
Replenished Compensation Fund	**7**	–
Fidelity Fund	**200**	250
Admission fee paid to the Hong Kong Securities Clearing Company Limited	**200**	250
Contribution in cash to the Guarantee Fund of the Central Clearing and Settlement System	**200**	250
Deposit with the Compensation Fund of HKFE	**100**	100
	2,907	3,100

24. INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**1,014**	2,516
Work in progress	**4,876**	3,938
Finished goods	**2,103**	1,835
	7,993	8,289

None of the above inventories was carried at net realisable value at the balance sheet date (2002: Nil).

25. 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; or

(c) open credit of 31 to 90 days.

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

	Group	
	2003	2002
	HK$'000	HK$'000
0 – 30 days	**38,204**	31,130
31 – 60 days	**147**	904
61 – 90 days	**651**	100
Over 90 days	**3,443**	4,652
	42,445	36,786
Provision for bad and doubtful debts	**(1,322)**	(505)
	41,123	36,281

26. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND BANK TRUST ACCOUNT BALANCES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**9,772**	8,483	**1,344**	1,607
Time deposits	**17,822**	5,267	**3,188**	2,608
Less: Pledged time deposits:				
Pledged for convertible bond issued	**(16,446)**	–	**(3,188)**	–
Pledged for bank overdrafts	**(1,000)**	(2,659)	**–**	–
	376	2,608	**–**	2,608
Cash and cash equivalents*	**10,148**	11,091	**1,344**	4,215
Bank trust account balances**	**6,922**	6,289	**–**	–

* At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$4,253,000 (2002: HK$924,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

27. TRADE PAYABLES

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

	Group	
	2003	2002
	HK$'000	HK$'000
0 – 30 days	**81,286**	51,600
31 – 60 days	**818**	1,952
61 – 90 days	**–**	422
Over 90 days	**1,187**	3,244
	83,291	57,218

Included in the Group's trade payables was an amount due to an associate of approximately HK$35,224,000 (2002: HK$17,099,000) which was repayable on similar credit terms to those offered to the major customers of the Group.

28. PROVISION FOR LONG SERVICE PAYMENTS

Group	HK$'000
At beginning of year	3,465
Additional provision	312
Amounts utilised during the year	(356)
At 30 April 2003	3,421
Portion classified as current liabilities	(3,421)
Non-current portion	–

The Company provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in note 4 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Company to the balance sheet date.

29. DUE TO RELATED COMPANIES

	Group	
	2003	2002
	HK$'000	HK$'000
Current portion	**5,470**	1,728
Non-current portion	**–**	11,845
	5,470	13,573

Notes:

Amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK$4,000,000 which bears interest at the London Interbank Offered Rate plus 2% per annum and is repayable within the period up to 8 March 2005. Subsequent to the balance sheet date, on 27 August 2003, the related company extended the repayment date of the outstanding loan to 30 September 2005 (note 46(d)).

During the year, the related company agreed to waive all of its rights to seek repayment of a portion of the debts amounting to HK$7,822,000 from the Group.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
		2003	2002
	Note	**HK$'000**	HK$'000
Bank overdrafts, secured and repayable on demand	(a)	**12,906**	17,497
Bank loans, secured and repayable:			
Within one year		**4,953**	39,353
In the second year		**–**	27,208
In the third to fifth years, inclusive		**–**	91,374
After five years		**–**	22,480
		4,953	180,415
Other loans repayable within one year:			
Secured	(b)	**15,000**	–
Unsecured	(c)	**–**	1,000
		15,000	1,000
Total interest-bearing borrowings		**32,859**	198,912
Portion classified as current liabilities		**(32,859)**	(57,850)
Non-current portion		**–**	141,062

Notes:

(a) Included in the Group's bank overdrafts balance is an overdue bank overdraft of HK$11,536,000 previously withdrawn by the bank. Subsequent to the balance sheet date, pursuant to a term loan agreement entered into between the Group and a bank dated 19 July 2003, the overdue bank overdraft facility was replaced by a HK$7,120,000 term loan facility which is repayable by sixty equal instalments of HK$131,126 over five years up to 18 July 2008. The remaining balance under the overdue bank overdraft facility of HK$4,416,000 was fully repaid by applying the Group's internal cash resources and the sale proceeds of one of the Group's investment properties in July 2003 (notes 15 and 46(a) and (b)).

(b) The other loans were borrowed from a non-financial institution, and bear interest at a rate of 8% per annum, are repayable on 16 May 2003 and are secured by a corporate guarantee executed by the Company. Subsequent to the balance sheet date, on 9 May 2003, the creditor has extended the repayment date of the outstanding loan to 16 September 2004 (note 46(c)).

(c) The balance represented a loan from a director, which was unsecured and was fully settled during the year ended 30 April 2003.

31. CONVERTIBLE NOTE AND BONDS

		Group and Company	
		2003	2002
	Notes	**HK$'000**	HK$'000
Issued during the year:			
2% convertible note	(a)	**8,000**	–
4.25% convertible bonds	(b)	**150,000**	–
At end of year		**158,000**	–

(a) 2% HK$8,000,000 Convertible Note due 2004

Pursuant to a subscription agreement dated 28 August 2002 entered into between the Company and 立億投資股份有限公司 (the "Noteholder"), which is a Taiwanese company owned by Helix Technologies Inc., a 2% convertible note due 15 October 2004 in the principal sum of HK$8,000,000 (the "Note") was issued by the Company to the Noteholder on 16 October 2002. The proceeds from the issue of the Note have been utilised to provide working capital for the Group's operations. Further details of the Note are set out in the Company's circular dated 25 September 2002.

The Note is convertible into ordinary shares of HK$0.01 each of the Company at a conversion price equivalent to an arithmetic average of the closing prices of the shares of the Company during the 10 consecutive trading days immediately prior to (and excluding) the maturity date of the Note, i.e. 15 October 2004 (the "Maturity Date"). The Noteholder may, within the period of 30 calendar days immediately prior to the date which is 15 calendar days before (but excluding) the Maturity Date; elect to convert the entire Note at the conversion price. The Note was not converted into shares of the Company during the year.

(b) 4.25% HK$150,000,000 Convertible Bonds due 2006

Pursuant to a subscription agreement dated 12 December 2002 entered into between the Company and Industrial and Commercial Bank of China (Asia) Limited (the "Bondholder"), the 4.25% convertible bonds (the "Bonds") due 19 January 2006 in the principal sum of HK$150,000,000 were issued by the Company to the Bondholder on 20 January 2003. Further details of the Bonds are set out in the Company's circular dated 30 December 2002.

The Bonds are convertible into ordinary shares of HK$0.01 each of the Company, in units of HK$2,000,000, at a conversion price of HK$0.25 (subject to adjustments). The conversion in full of the Bonds would, under the present capital structure of the Company, result in the issue of 600,000,000 shares of the Company. No Bonds were converted into shares of the Company during the year.

The Bank of Communications, Hong Kong Branch (the "Guarantor") guarantees the Company's obligation to repay the outstanding principal amount of the Bonds up to HK$150,000,000 (the "Guarantee"). The interest payments of the Bonds are secured by rental income, rental deposits and insurance proceeds on certain properties and bank deposits of the Group. Further details of the security provided by the Group in relation to the Bonds and Guarantee are set out in note 39 to the financial statements.

The proceeds from the issue of the Bonds were utilised to repay the Group's bank borrowings owed to the Guarantor.

32. DEFERRED TAX

	Group	
	2003	2002
	HK$'000	HK$'000
Balance at beginning of year	**20**	17
Charge for the year – note 12	**–**	3
At 30 April	**20**	20

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

	Provided		Not recognised	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**20**	20	**–**	–
Tax losses carried forward	**–**	–	**(44,124)**	(31,946)
	20	20	**(44,124)**	(31,946)

A deferred tax asset has not been recognised in the financial statements in respect of the taxes losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

The Company had no unprovided deferred tax at the balance sheet date (2002: Nil).

33. DUE TO DIRECTORS

The loans from directors are unsecured, interest-free and are repayable after one year.

34. DUE TO A MINORITY SHAREHOLDER

The loan from a minority shareholder is unsecured, interest-free and is repayable after one year.

35. SHARE CAPITAL

Shares

	2003 HK$'000	2002 HK$'000
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
412,566,000 (2002: 272,566,000) ordinary shares of HK$0.01 each	**4,126**	2,726

During the year, the movements in share capital were as follows:

i. Pursuant to a subscription agreement dated 28 August 2002 entered into between the Company and 立億投資股份有限公司 (the "Subscriber"), which is a subsidiary of Helix Technologies Inc., 60,000,000 ordinary shares of HK$0.01 each of the Company were subscribed by the Subscriber at a price of HK$0.25 per share (the "Subscription Price") for a total subscription price of HK$15 million on 16 October 2002.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account the general market conditions, and represented a premium of 20.19% over the closing price of the Company's shares of HK$0.208 per share as quoted on the SEHK on 28 August 2002.

ii. Pursuant to various placing agreements dated 28 August 2002 entered into between the Company and more than six independent third parties (the "Placees"), a total of 80,000,000 ordinary shares of HK$0.01 each of the Company were placed by the Company and subscribed by the Placees at a price of HK$0.20 per share (the "Placing Price") for a total subscription price of HK$16 million on 16 October 2002.

The Placing Price was the higher of (a) HK$0.20 and (b) 95% of the arithmetic average of the closing prices of the shares of the Company during the three consecutive trading days immediately prior to (and excluding) 11 October 2002, on which a special general meeting was convened. The formula to determine the Placing Price was arrived at after arm's length negotiations between the Company and the Placees by reference to the prevailing market price of the Company's shares of HK$0.208 per share on the SEHK on 28 August 2002.

35. SHARE CAPITAL (continued)

The proceeds net of related expenses received by the Company from the issue of shares described in i. and ii. above, amounting to approximately HK$30,422,000, were used to replay part of the outstanding bank loan to an extent of HK$20,000,000 with the balance being used for the general working capital of the Group. The excess of the consideration received over the nominal value of the shares issued, in the amount of HK$29,600,000, was credited to the share premium account (note 37).

Further details of the placements are set out in the Company's circular dated 25 September 2002.

Details of the share subscription and the placing are set out in the circular to the members dated 25 September 2002.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of ordinary shares of HK$0.01 each	**Amount**
	'000	HK$'000
Authorised:		
At beginning of year and as at 30 April 2003	50,000,000	500,000
Issued and fully paid:		
At beginning of year	272,566	2,726
Subscription of new shares	60,000	600
Placement of new shares	80,000	800
As at 30 April 2003	412,566	4,126

36. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 3 and under the heading "Employee benefits" in note 4 to the financial statements. As a result, these detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

36. SHARE OPTION SCHEMES (continued)

On 23 August 2001, the SEHK announced amendments to Chapter 17 of the Listing Rules in respect of share option schemes, which came into effect on 1 September 2001. To comply with the amendments to the Listing Rules and the announcement of the SEHK, the directors consider that it was in the interests of the Company to adopt a new share option scheme. At the Company's special general meeting held on 4 March 2002, the existing share option scheme (the "Previous Share Option Scheme") adopted in 1994 with a life span of ten years was terminated and a new share option scheme (the "New Share Option Scheme") was adopted.

Under the New Share Option Scheme the directors may, on or before 3 March 2012, grant options to eligible participants, including the Company's directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and any minority shareholder in the Company's subsidiaries. The New Share Option Scheme became effective on 4 March 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. No share options have been granted under the New Share Option Scheme since its adoption on 4 March 2002. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the SEHK closing price of the Company's shares on the date of the offer of the share options; and (ii) the average SEHK closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

36. SHARE OPTION SCHEMES (continued)

No share options were granted under the Previous Share Option Scheme during the period from 1 May 2001 to its termination on 4 March 2002. Notwithstanding the termination of the Previous Share Option Scheme, the share options previously outstanding thereunder remain valid. Pursuant to the Previous Share Option Scheme, there were 10,500,000 share options outstanding as at 30 April 2003, which if fully exercised, would represent approximately 2.55% of the Company's shares in issue as at that date.

The following share options granted under the Previous Share Option Scheme which were outstanding during the year:

	Number of shares in respect of options					
Name or category of participant	**At 1 May 2002**	**Lapsed during the year**	**At 30 April 2003**	**Date of grant of share options ***	**Exercise price of share options**** HK$	**Exercise period of share options outstanding**
Directors						
Mr. Haywood Cheung	2,500,000	–	2,500,000	02/03/1998	2.8	02/09/1998 to 01/03/2008
Mr. Felipe Tan	500,000	–	500,000	20/01/1997	8.0	20/07/1997 to 19/01/2007
	1,750,000	–	1,750,000	02/03/1998	2.8	02/09/1998 to 01/03/2008
Mr. So Pak Kwai	30,000	–	30,000	20/01/1997	8.0	20/07/1997 to 19/01/2007
	4,780,000	–	4,780,000			
Other employees in aggregate	50,000	(30,000)	20,000	20/01/1997	8.0	20/07/1997 to 19/01/2007
	5,750,000	(50,000)	5,700,000	02/03/1998	2.8	02/09/1998 to 01/03/2008
	10,580,000	(80,000)	10,500,000			

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

37. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 27 to 28 of the financial statements.

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1994 prior to the listing of the Company's shares (the "Reorganisation"), over the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant laws in Mainland China, a portion of profits of the Group's subsidiaries and jointly-controlled entities in Mainland China, subject to the discretion of its board of directors, were transferred to general reserve. Subject to certain restrictions set out in the relevant regulations in Mainland China and the articles of associations of the relevant companies, the general reserve may be used to set off losses or for capitalisation as paid-up capital.

Company

	Share premium account	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 May 2001	1,099,997	25,760	(1,016,690)	109,067
Share premium set off against accumulated losses	(884,486)	–	884,486	–
Credit arising from Capital Reorganisation	–	–	224,944	224,944
Private placements	10,430	–	–	10,430
Share issue expenses	(447)	–	–	(447)
Net loss for the year	–	–	(216,342)	(216,342)
At 30 April 2002 and 1 May 2002	225,494	25,760	(123,602)	127,652
Net loss for the year	–	–	(117,130)	(117,130)
Private placements (note 35)	29,600	–	–	29,600
Share issue expenses	(578)	–	–	(578)
At 30 April 2003	254,516	25,760	(240,732)	39,544

37. RESERVES (continued)

The contributed surplus of the Company represents the excess of the net asset value of the subsidiaries acquired pursuant to the Reorganisation, 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.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	2003	2002
	HK$'000	HK$'000
Net assets acquired:		
Investments in securities	–	485
Trade payables and accrued liabilities	–	(2)
	–	483
Goodwill arising on acquisitions	–	3,602
	–	4,085
Satisfied by:		
Deposit paid	–	4,085
	–	4,085

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Acquisition of subsidiaries (continued)

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

	2003 HK$'000	2002 HK$'000
Cash consideration	–	–
Net cash flow of cash and cash equivalents in respect of the acquisitions of subsidiaries	–	–

The results of the subsidiaries 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 ended 30 April 2002.

(b) Disposal of subsidiaries

	2003 HK$'000	2002 HK$'000
Net assets disposed of:		
Fixed assets	4,694	–
Interests in associates	8,566	–
Cash and bank balances	239	–
Prepayments, deposits and other receivables	7,769	–
Other payables and accrued liabilities	(146)	–
	21,122	
Currency translation reserve realised	5,729	–
Loss on disposal of subsidiaries	(26,351)	–
	500	–
Satisfied by:		
Cash	500	–

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of subsidiaries (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2003	2002
	HK$'000	HK$'000
Cash consideration	500	–
Cash and cash balances disposed of	(239)	–
Net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries	261	–

The results of the subsidiaries disposed of during the year ended 30 April 2003 had no significant impact on the Group's consolidated turnover and loss after tax for that year.

(c) Non-cash transactions

During the year, the Group disposed of its entire interest in Simsen International Commodities Limited ("Simsen Commodities") to one of the directors and shareholders of Simsen Commodities at a consideration of HK$7,500,000, of which HK$1,000,000 was settled by cash during the year; HK$3,900,000 was subsequently settled in May 2003; and the remaining HK$2,600,000 was settled by the assignment of the amounts due to Simsen Commodities by the Group to the purchaser.

39. BORROWING FACILITIES

As at 30 April 2003, certain of the Group's borrowing facilities were secured by the following:

Interest-bearing bank and other borrowings

(a) bank deposits of the Group amounting to HK$1,000,000;

(b) bank deposits of certain directors of the Company amounting to HK$2,636,000;

(c) bank deposits of a director of a wholly-owned subsidiary of the Company amounting to HK$1,000,000;

(d) certain plant and machinery of the Group with net book value of HK$5,878,000;

(e) first legal charges on all investment properties of the Group with carrying value of HK$8,650,000;

(f) listed investments of a wholly-owned subsidiary of the Company with market value of HK$590,000 and its margin clients with market value of HK$5,707,000 (with the margin clients' consent);

(g) personal guarantees executed by certain directors of the Company and executives of the Group; and

(h) corporate guarantees executed by the Company.

Bonds and Guarantee

(a) first legal charges on certain investment properties of the Group with carrying value of HK$114,544,000;

(b) first legal charges on all of the leasehold land and buildings of the Group in Hong Kong with net book value of HK$30,256,000;

(c) first rental and rental deposit assignments of certain investment properties of the Group;

(d) bank deposits of the Group amounting to HK$16,446,000;

(e) a corporate guarantee from a substantial shareholder of the Company up to a principle sum of HK$56,328,000;

39. BORROWING FACILITIES (continued)

Bonds and Guarantee (continued)

(f) undertakings given by a substantial shareholder of the Company that he agrees to hold not less than 30,418,000 shares of the Company and he indemnifies the Guarantor in full demand from and against any amount payable under the Guarantee in excess of HK$118,000,000; and

(g) corporate guarantees executed by the Company.

40. CONTINGENT LIABILITIES

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

	Company	
	2003	2002
	HK$'000	HK$'000
Guarantee for borrowing and guarantee facilities granted to subsidiaries	**162,906**	202,008

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) under operating arrangements, with leases negotiated for terms ranging from two to three 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.

At 30 April 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2003	2002
	HK$'000	HK$'000
Within one year	**3,391**	4,520
In the second to fifth years, inclusive	**4,803**	886
	8,194	5,406

41. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee (continued)

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 20 years.

At 30 April 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2003	2002
	HK$'000	HK$'000
Within one year	**2,719**	4,913
In the second to fifth years, inclusive	**2,951**	1,865
After five years	**6,472**	3,772
	12,142	10,550

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41 above, the Group had commitments of HK$6,945,000 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. As at 30 April 2002, the Group had capital commitments of HK$29,439,000 in respect of outstanding capital contributions to a jointly-controlled entity and an associate established in Mainland China.

The Company had no commitments at the balance sheet date (2002: Nil).

43. 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:

	2003	2002
	HK$'000	HK$'000
Rental income received	**1,630**	857
Rental expenses paid	**122**	189

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.

44. RELATED PARTY TRANSACTIONS

(a) In addition to the connected transactions as set out in note 43 and those disclosed in other notes to these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2003** **HK$'000**	2002 HK$'000
Loan interest paid to a related company	(i)	**198**	23
Management fee paid to a related company	(ii)	**–**	231
Management fee received from:			
– a jointly-controlled entity	(ii)	**280**	280
– a related company	(iii)	**391**	405
– associates	(ii)	**811**	1,216
Administrative fee paid to:			
– an associate	(ii)	**298**	–
Rental income received from a related company	(iii)	**–**	129
Rental expense paid to related companies	(iv)	**825**	773
Promotion service fees paid to:	(v)		
– a related company		**–**	180
– an associate		**232**	–
Service fees paid to related companies	(v)	**443**	1,261
Purchases of goods from a jointly-controlled entity	(vi)	**20,528**	36,433
Dividend income received from:			
– a related company		**527**	–
– a jointly-controlled entity		**2,356**	3,576
– associates		**–**	706
Provision for loss on amount due from an associate		**–**	1,100
Purchase of mining rights from a minority shareholder	21	**3,846**	–

Notes:

(i) The interest paid to a related company arose from loan, further details of which, including the terms, are disclosed in note 29 to the financial statements.

(ii) The management and administrative fees paid and received were based on the actual costs incurred for the services provided.

(iii) The rental income received from a related company was for the occupation of office space.

(iv) The monthly rental payable was based on the actual cost incurred.

(v) The service fees were based on the actual cost incurred for the services provided.

(vi) 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.

44. RELATED PARTY TRANSACTIONS (continued)

(b) Cheung's Enterprise Holdings Limited, a shareholder of the Company, has provided a corporate guarantee and undertakings in relation to its shareholding in a company which was a substantial shareholder of the Company for banking facilities granted to a subsidiary of the Company totalling HK$56,328,000 as at 30 April 2003 (2002: HK$173,875,000).

(c) Mr. Haywood Cheung, a director of the Company, has guaranteed banking facilities granted to a subsidiary of the Company totalling HK$32,000,000 (2002: HK$39,600,000). As at 30 April 2003, the Group had not utilised any of the banking facilities. As at 30 April 2002, the utilised amount of the banking facilities was HK$6,385,000.

(d) During the year, the Group partially disposed of certain equity interest in subsidiaries to a director of the subsidiaries at a cash consideration of HK$350,000.

45. PARTICULARS OF SUBSIDIARIES

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for 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 2003 %	2002 %	Principal activities
Held directly					
Firstmount International Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Held indirectly					
Alexis Resources Limited	British Virgin Islands/ Mainland China	US$100	**93**	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

45. 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 2003 %	2002 %	Principal activities
Held indirectly (continued)					
Cheung's Gold Dealers Limited	Hong Kong	HK$10,000,000	**100**	100	Metal trading and property holding for rental purposes
Cheung's Gold Traders Limited	Hong Kong	HK$5,000,000	**100**	100	Metal broking and trading
Cheung's Securities Brokers Limited	Hong Kong	HK$10,000,000	**100**	100	Securities broking and trading and provision of margin financing
Excel Vision Development Limited	Hong Kong	HK$1,000	**100**	100	Property holding for rental purposes
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

45. 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 2003 %	2002 %	Principal activities
Held indirectly (continued)					
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	Operation not yet commenced
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	Investment holding and provision of management services
Simsen Metals Trading Limited	Hong Kong	HK$1,000	**100**	100	Metals trading
Simsen Precious Metals Limited	Hong Kong	HK$10,000	**100**	100	Precious metals trading
Simsen Resources Limited	Hong Kong	HK$10,000	**100**	100	Timber trading

45. 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 2003 %	2002 %	Principal activities
Held indirectly (continued)					
Simsen Services Company Limited	Hong Kong	HK$10,000	**100**	100	Provision of management services
Topmost Resources Limited	British Virgin Islands/ Hong Kong	US$100	**100**	100	Investment holding
Xinjiang Yakesi Resources Co. Ltd. (note 1)**	Mainland China	RMB5,000,000	**90.21**	97	Mining operations
哈密市聚寶資源開發有限公司 (note 2)**	Mainland China	RMB5,000,000	**89.03**	96.03	Mining operations

* The non-voting deferred shares have no rights to dividends (other than a fixed non-cumulative dividend at a rate of 5% 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.

** Statutory audit not performed by Ernst & Young Hong Kong or other Ernst & Young International member firms.

Notes:

1. Xinjiang Yakesi Resources Co. Ltd. is a sino-foreign equity joint venture established by Alexis Resources Limited ("Alexis") and a PRC venturer in Mainland China for a period of 50 years commencing from the date of issuance of its business licence on 12 October 1999.

2. 哈密市聚寶資源開發有限公司 is an enterprise established by Xinjiang Yakesi Resources Co. Ltd. and a PRC venturer in Mainland China for a period of five years commencing from the date of issuance of its business licence on 12 July 1999.

46. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group had the following transactions:

(a) On 19 July 2003, the Group disposed of one of its investment properties at its carrying value of HK$3,880,000 (note 16). The proceeds were applied to settle part of the Group's overdue bank overdrafts as detailed in (b) below.

(b) Pursuant to a term loan agreement entered into between the Group and a bank dated 19 July 2003, an overdue bank overdraft facility of HK$11,536,000 was replaced by a HK$7,120,000 term loan facility which is repayable by sixty equal instalments of HK$131,126 over five years up to 18 July 2008. The remaining balance under the overdue bank overdraft facility of HK$4,416,000 was fully repaid by applying the Group's internal cash resources and the sale proceeds of one of the Group's investment properties in July 2003 (note 30).

(c) Pursuant to a supplementary loan agreement entered into between the Group and its existing creditor dated 9 May 2003, the repayment date of the Group's loan outstanding as at 30 April 2003 of HK$15,000,000 was extended to 16 September 2004 (note 30).

(d) On 27 August 2003, a related company of the Group agreed to extend the repayment date of the outstanding loan as at 30 April 2003 of HK$4,000,000 to 30 September 2005 (note 29).

(e) Pursuant to agreements dated 29 August 2003 entered into amongst Simsen (China) Investment Limited (the "Vendor"), a wholly-owned subsidiary of the Company, the Company, Alexis Resources Limited ("Alexis") and Belmont Holdings Group Limited (the "Purchaser"), a 43.53% equity interest in Alexis held by the Vendor and a portion of the outstanding loan of HK$11,697,000 due from Alexis to the Vendor at that date were disposed to the Purchaser at an aggregate consideration of HK$30,222,000 in cash. The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is currently owned as to 0.01% by a minority shareholder of Alexis and the remaining 99.99% by four independent third parties. Further details of the transaction are set out in the press announcement of the Company dated 3 September 2003.

47. COMPARATIVE AMOUNTS

As further explained in notes 3 and 6 to the financial statements, due to the adoption of certain new and revised SSAPs and the abandonment of the Group's in-warehouse metal sales operations 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 and to give more details about the Group's current business operations. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 5 September 2003.