

# Report of the Directors

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The directors present their report and the audited financial statements of the Company and of the Group for the year ended 30 April 2004.

## PRINCIPAL ACTIVITIES

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 strategic investments through its associates in mining operations in Xinjiang Province, Mainland China. During the year, the Group disposed of certain equity interests in Alexis Resources Limited, formerly a subsidiary of the Company.

Further details of which are set out in note 19 to the financial statements. Other than the foregoing, there were no significant changes in the nature of the Group's principal activities during the year and up to the date of this report.

## RESULTS AND DIVIDENDS

The loss of the Group for the year ended 30 April 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 21 to 91.

The directors do not recommend the payment of any dividend in respect of the year.

# Report of the Directors

## SUMMARY FINANCIAL INFORMATION

The following is a summary of the results and assets and liabilities of the Group for the last five financial years extracted from the published audited financial statements and reclassified where appropriate. This summary does not form part of the audited financial statements.

### RESULTS

	Year ended 30 April				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover					
Continuing operations	91,408	80,903	89,494	87,760	489,616
Discontinued operations	–	–	135,237	1,556,120	1,326,888
	<b>91,408</b>	<b>80,903</b>	<b>224,731</b>	<b>1,643,880</b>	<b>1,816,504</b>
Profit/(loss) before tax					
Continuing operations	3,870	(95,621)	(511,754)	(283,220)	10,310
Discontinued operations	–	(157)	2,207	573	7,176
	<b>3,870</b>	<b>(95,778)</b>	<b>(509,547)</b>	<b>(282,647)</b>	<b>17,486</b>
Tax	<b>(3,549)</b>	<b>(1,458)</b>	<b>(847)</b>	<b>(134)</b>	<b>(7,398)</b>
Profit/(loss) before minority interests	<b>321</b>	<b>(97,236)</b>	<b>(510,394)</b>	<b>(282,781)</b>	<b>10,088</b>
Minority interests	<b>(506)</b>	<b>(128)</b>	<b>128</b>	<b>17</b>	<b>2</b>
Net profit/(loss) for the year	<b>(185)</b>	<b>(97,364)</b>	<b>(510,266)</b>	<b>(282,764)</b>	<b>10,090</b>



## SUMMARY FINANCIAL INFORMATION (continued)

### ASSETS AND LIABILITIES AND MINORITY INTERESTS

	Year ended 30 April				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Fixed assets	41,833	47,222	61,670	84,103	68,183
Investment properties	135,366	123,194	148,570	181,150	171,220
Interests in associates and jointly-controlled entities	36,663	26,442	40,364	38,044	41,270
Intangible assets	2,307	49,756	52,156	95,747	24,884
Investments in securities	5,292	7,399	19,727	42,589	143,262
Other long term assets	2,807	2,907	3,100	33,699	117,400
Current assets	83,179	132,578	138,121	190,044	274,544
<b>Total assets</b>	<b>307,447</b>	<b>389,498</b>	<b>463,708</b>	<b>665,376</b>	<b>840,763</b>
Current liabilities	75,066	152,530	166,699	161,988	135,080
Non-current liabilities	165,450	168,975	163,704	166,977	181,121
<b>Total liabilities</b>	<b>240,516</b>	<b>321,505</b>	<b>330,403</b>	<b>328,965</b>	<b>316,201</b>
Minority interests	–	128	–	128	–
<b>Net assets</b>	<b>66,931</b>	<b>67,865</b>	<b>133,305</b>	<b>336,283</b>	<b>524,562</b>

### FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 92.

# Report of the Directors

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## **CONVERTIBLE NOTE AND BONDS**

Particulars of the Company's convertible note and bonds are set out in note 30 to the financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the share capital and share options of the Company during the year, together with the reasons therefor, are set out in notes 34 and 35 to the financial statements.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## **PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES**

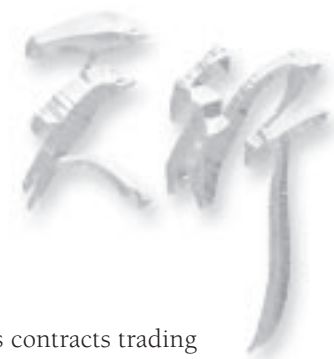
The Company has not redeemed any its listed securities during the year. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

## **RESERVES**

Details of movements in the reserves of the Company and of the Group are set out in note 36 to the financial statements and in the consolidated statement of changes in equity on page 25, respectively.

## **DISTRIBUTABLE RESERVES**

At 30 April 2004, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus of HK\$25,760,000 is currently not available for distribution. The Company's share premium account with a balance of approximately HK\$254,516,000 as at 30 April 2004, may be distributed in the form of fully paid bonus shares.



## MAJOR CUSTOMERS

Approximately 28% of the Group's turnover was derived from bullion, securities and futures contracts trading in respect of which the underlying respective customers could not be identified. Sales attributable to the five largest customers, excluding the bullion, securities and futures contracts trading, accounted for 86% of the Group's turnover for the year and sales to the largest customer included therein amounted to 37%.

## MAJOR SUPPLIERS

Purchases from the five largest suppliers, excluding the bullion, securities and futures contracts trading, accounted for 72% of the Group's purchase for the year and purchases from the largest suppliers included therein amounted to 58%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

### Executive directors

Mr. Cheung Yan Lung, CBE, OStJ, JP

Mr. Haywood Cheung

Mr. Felipe Tan

Mr. So Pak Kwai

Dr. Chang Si-Chung

(appointed on 11 July 2003)

Mr. Sit Chun Sze

(resigned on 11 July 2003)

### Independent non-executive directors

Mr. Chiu Pak Yue, Leo

Mr. Chan Ka Ling, Edmond

Independent non-executive directors are not appointed for a specific term as all of the directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

In accordance with bye-law no. 87(1) and 87(2) of the Company's bye-laws, Mr. So Pak Kwai will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

# Report of the Directors

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## DIRECTORS' BIOGRAPHIES

Mr. CHEUNG Yan Lung, CBE, OStJ, JP, aged 82, is the father of Mr. Haywood Cheung. He joined the Company in July 1997 as an executive director and was appointed as Chairman of the Board on 29 August 1997. Mr. Cheung has more than 32 years' experience in securities brokerage and comprehensive experience in metals trading. He has served as the President of the New Territories General Chamber of Commerce, an Executive Councillor of the Heung Yee Kuk, Chairman of Regional Council Members' Association Limited and a member of the Board of Directors of the Community Chest. Mr. Cheung was also formerly the President of the New Territories General Chamber of Commerce, a Hong Kong Affairs Adviser, a member of the District Board (North), Chairman of the Regional Council, a member of the Hong Kong Housing Authority and a member of the Board of Directors of the Kowloon-Canton Railway Corporation along with his involvement in many other charitable and social organisations.

Mr. Haywood CHEUNG, aged 51, is the son of Mr. Cheung Yan Lung. He joined the Company in July 1997 as an executive director and is the Deputy Chairman and Managing Director of the Company. He has over 22 years' experience in metals trading, securities and futures brokerage and forex dealing in Hong Kong. Mr. Cheung also has extensive business connections in Hong Kong and Mainland China. He has served as the President of the New Territories General Chamber of Commerce, and an Executive Committee Member of the Chinese Gold & Silver Exchange Society. He is also a director of a number of subsidiaries of the Company and Haywood Shares Holding Limited, a company interested in the shares of the Company which is discloseable under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Felipe TAN, aged 49, is the Deputy Managing Director of the Company and a director of a number of subsidiaries and associates of the Company. He has over 28 years' experience in metals trading and related businesses in Hong Kong and Mainland China. Mr. Tan is responsible for the strategic planning and day-to-day management of the Group.

Mr. SO Pak Kwai, aged 64, joined the Group in 1988. Mr. So is in charge of mining operations and shipment trading of non-ferrous metals. He has over 40 years' experience in non-ferrous metals trading, gained mostly in Mainland China.



## **DIRECTORS' BIOGRAPHIES (continued)**

Dr. CHANG Si-Chung, aged 43, is a well-known serial entrepreneur and industry leader in the field of LCD components. He is also the founder and Chairman of two public companies in Taiwan, namely Helix Technology, Inc. and Sin Tek Photronic Corporation. Prior to the founding of Helix and Sin Tek, Dr. Chang was an Associate Professor at the National Tsing Hua University and a Senior Research Chemist at Dow Chemical Corporation in the United States of America. Dr. Chang was appointed as an executive director of the Company in July 2003.

Mr. CHIU Pak Yue, Leo, aged 41, is a practising solicitor in Hong Kong and a partner in Chiu & Partners, a firm of solicitors in Hong Kong. Mr. Chiu was appointed as an independent non-executive director of the Company in October 1997.

Mr. CHAN Ka Ling, Edmond, aged 45, is a certified public accountant in Hong Kong and a partner of Chan and Chan, a firm of certified public accountants practicing in Hong Kong. Mr. Chan was appointed as an independent non-executive director of the Company in September 2001.

## **DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in notes 42 and 43 to the financial statements, no director had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

# Report of the Directors

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 April 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which (a) were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the “SEHK”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) were as follows:

### Interests in shares of the Company

Directors	Notes	Number of issued ordinary shares of HK\$0.01 each in the Company			Total	Approximate % of shareholding
		Personal interest	Corporate interest	Other interest		
Mr. Cheung Yan Lung	(a)	–	4,000,000	–	4,000,000	0.97%
Mr. Haywood Cheung	(b)	–	61,370,000	100,000,000	161,370,000	39.11%
Mr. Felipe Tan	(c)	1,008,600	2,900,000	–	3,908,600	0.95%
Mr. So Pak Kwai		10,000	–	–	10,000	0.01%
Mr. Chan Ka Ling, Edmond	(d)	–	50,000	–	50,000	0.01%

#### Notes:

- (a) The shares under “Corporate interest”, were held by Benton Shares Holding Limited, a company 99% owned by Mr. Cheung Yan Lung.
- (b) The shares under “Corporate interest”, comprised:
- (i) 39,886,000 shares held by Haywood Shares Holding Limited, which is 99.99% owned by Mr. Haywood Cheung;
  - (ii) 8,684,000 shares held by Cheung’s Enterprise Holdings Limited, which is 75% owned by Mr. Haywood Cheung; and
  - (iii) 12,800,000 shares held by iWin Limited, which is 75% owned by Mr. Haywood Cheung.





## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

The shares under "Other interest" refers to the 100,000,000 shares to be issued to Mr. Haywood Cheung as part of the consideration of an acquisition of 50% equity interest in Lee Fung Hong (Cheung's) Forex Dealers Limited, details of which are set out in the Company's circular dated 20 April 2004.

- (c) The shares under "Corporate interest" were owned by Mr. Felipe Tan through his personal investment company, Join Rich Investments Limited.
- (d) The shares under "Corporate interest" were owned by Mr. Chan Ka Ling, Edmond through his personal investment company, E-Source Holdings Limited.

Save as disclosed above and in the Section under the heading "Share option scheme" below, as at 30 April 2004, none of the directors or the chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the SEHK pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 35 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

# Report of the Directors

## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 April 2004, the following persons (other than directors of the Company) had an interest in the shares and the underlying shares of the Company which (a) would fall to be disclosed to the Company and the SEHK pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Notes	Number of ordinary shares held	Potential shares under convertible bonds	% of total issued shares
Haywood Shares Holding Limited	(a)	39,886,000	–	9.67
立億投資股份有限公司	(b)	60,000,000	–	14.54
Helix Technology Inc.	(b)	60,000,000	–	14.54
Industrial and Commercial Bank of China (Asia) Limited	(c)	–	600,000,000	145.43
The Industrial and Commercial Bank of China	(c)	–	600,000,000	145.43

Notes:

- (a) These interests are also included as corporate interests of Mr. Haywood Cheung, as disclosed under the heading “Directors’ and chief executives interests and short positions in shares, underlying shares and debentures” above.
- (b) 立億投資股份有限公司 is a subsidiary of Helix Technology Inc. and, accordingly, the interests of 立億投資股份有限公司 were included in the interests held by Helix Technology Inc..
- (c) Industrial and Commercial Bank of China (Asia) Limited is a subsidiary of The Industrial and Commercial Bank of China and, accordingly, the interests of Industrial and Commercial Bank of China (Asia) Limited were included in the interests held by The Industrial and Commercial Bank of China.

Save as disclosed above, as at 30 April 2004, there was no person (other than the directors of the Company) who (i) had an interest or short position in the shares and underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of any other member of the Group (other than the Company) or any options in respect of such capital.



## CONNECTED TRANSACTIONS

In the opinion of the board of directors of the Company, including the independent non-executive directors, the rental transactions with Lee Fung Hong (Cheung's) Forex Dealers Limited, a company in which Mr. Haywood Cheung, a director of the Company, is a shareholder, for the period from 1 May 2003 to 31 March 2004 were:

- (i) in the ordinary and usual course of the Group's business;
- (ii) on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company are concerned;
- (iii) in accordance with the terms of the agreement governing such transactions; and
- (iv) that the aggregate value of the connected transactions did not exceed 0.9% of the Group's net asset value upon completion of the acquisition of the entire interests in Mankeen Management Limited and its subsidiaries, and Lee Fung Hong (International) Futures Limited, on 11 July 1997.

Further details of the connected transactions are set out in note 42 to the financial statements.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 45 to the financial statements.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the accounting year covered by this annual report, except that the independent directors of the Company are not appointed for specific terms as required by paragraph 7 of the retirement/re-election code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

# Report of the Directors

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## AUDIT COMMITTEE

The audit committee of the Company was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls systems, and compliance with the relevant rules and regulations. The audit committee comprises the two independent non-executive directors of the Company.

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Haywood Cheung  
*Chairman of the meeting*

Hong Kong  
25 August 2004