NOTES TO FINANCIAL STATEMENTS

30 April 2005

1. CORPORATE INFORMATION

The head office and principal place of operations of the Company is situated at 26th Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of bullion, securities, futures and options contracts broking and trading, the provision of margin and loan financing, the holding of investment properties in Hong Kong and strategic investments through its associates in mining operations in Xinjiang, Mainland China.

During the year, in addition to abandonment of its shipment sales operations, a subsidiary of the Group entered into a conditional agreement with a third party to dispose of its entire interest in mining operations. Further details of the disposal are set out in a circular to the shareholders of the Company dated 15 March 2005. Upon completion of the disposal, the Group will cease to engage in any mining business.

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.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 April 2005. The Group has already commenced an assessment of the impact of these new HKFRSs and the initial assessment indicated that the adoption of the new HKFRSs in 2005 would not have a significant impact on the Group's results of operations and financial position.

3. BASIS OF PRESENTATION

For the year ended 30 April 2005, the Group recorded a net loss attributable to the shareholders of approximately HK$5,159,000 and had net current liabilities of approximately HK$12,081,000 as at 30 April 2005.

3. BASIS OF PRESENTATION (continued)

To improve its financial position, immediate liquidity, cash flows, profitability and operations, the directors of the Company have undertaken various asset disposal plans and have rescheduled and refinanced certain of the Group's current borrowings.

(a) On 7 February 2005, the Group entered into a conditional agreement to sell its entire interest in and an interest-free shareholder's loan in the principal amount of HK$12,999,000 advanced to an associate for consideration of CAD9,197,000 (equivalent to approximately HK$57,849,000). The estimated gain from the Disposal is HK$13,000,000 and the related legal and professional expenses are estimated to be HK$2,000,000. It is expected that the Disposal will be completed before the end of 2005. Further details of the Disposal are set out in note 21 to the financial statements.

(b) Subsequent to the balance sheet date, in May 2005, the Group was granted the following new borrowing facilities by a bank:

– an overdraft facility of HK$10,000,000 bearing interest at Hong Kong dollar prime rate plus 0.5% per annum; and

– an installment loan of HK$16,000,000 bearing interest at Hong Kong dollar prime rate minus 2.4% per annum and to be repayable by 120 equal monthly installments.

The facilities are secured by the first legal charge on all of the Group's leasehold land and buildings and investment properties, as well as a deed of guarantee executed by the Company and a director of the Company. The installment loan of HK$16,000,000 was drawn down by the Group in June 2005, part of which was used to repay a bank loan of HK$4,600,000 outstanding as at 30 April 2005, with the remaining used as general working capital.

(c) In June 2005, the Company entered into an agreement to extend the repayment date of an unsecured other loan of HK$8,000,000 (note 31) from 16 October 2005 to 16 October 2006.

The financial statements have been prepared on a going concern basis, the validity of which is dependent upon the completion of the Disposal as planned and the implementation of other measures to attain positive cash flows. Taking into consideration of the expected outcome of the above, the directors of the Company are of the opinion that the Group will have sufficient working capital and cash resources for its operational and working capital requirements for the foreseeable future. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

3. BASIS OF PRESENTATION (continued)

If the going concern basis is not appropriate, adjustments would have to be made to restate the values of the Group's assets to their recoverable amounts, to provide for further liabilities which may arise and to reclassify its 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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, certain equity investments and gold on hand, 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 2005. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% 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/negative goodwill

Goodwill/negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess or the shortfall of the acquisition cost 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill/negative goodwill (continued)

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 goodwill/negative goodwill not yet amortised or 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.

Prior to the adoption of SSAP 30 "Business combinations" in 2002, goodwill/negative goodwill arising on acquisitions was eliminated against consolidated reserves or credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill/negative goodwill to remain eliminated against consolidated reserves or credited to the capital reserve. Goodwill/negative goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 goodwill/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 goodwill/negative goodwill which has not been amortised or recognised and any relevant reserves, as appropriate. Any attributable goodwill/negative goodwill previously eliminated or recognised against consolidated reserves 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 and its net selling price.

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	4% or over the lease terms, whichever is shorter
Leasehold improvements	20% to 25% or over the lease terms, whichever is shorter
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.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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 the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in leasehold 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 (the "SEHK") and the Hong Kong Futures Exchange Limited (the "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.

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.

Provisions

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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:

(a) 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;

(b) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;

(c) dividend income, when the shareholders' right to receive payment has been established;

(d) rental income, on the straight-line basis over the lease terms; and

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(e) income from bullion, securities, futures and options contracts broking and trading, on the following bases:

   (i) profits and losses on bullion, and futures and options contracts on all open contracts existing at the balance sheet date are recognised by translating the contract amounts at the prices ruling at the balance sheet date;

   (ii) profits and losses on trading in securities, futures, options and bullion contracts are recognised on the trade date basis; and

   (iii) commission and brokerage income on dealing in securities, futures, options and bullion contracts are recognised when the services are rendered.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits scheme

The Group operates an MPF exempted ORSO retirement benefits scheme (the "ORSO Scheme") and a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees. 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 ORSO 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.

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)

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.

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.

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 ended 30 April 2005, the Group discontinued its shipment sales operations. The effective date of the discontinuance was in March 2005. The turnover and the loss from these activities for the year, together with the corresponding amounts for the prior period, are classified and disclosed under discontinued operations in accordance with SSAP 33. The turnover, other revenue, expenses and results of the discontinued operations were as follows:

	2005	2004
	HK$'000	HK$'000
Turnover	**5,810**	39,876
Cost of sales	**(5,774)**	(39,217)
Gross profit	**36**	659
Other revenue	**37**	428
Selling and distribution costs	**(1)**	(74)
Administrative expenses	**(950)**	(4,547)
Gain on disposal of an associate	**182**	–
Loss on disposal of a subsidiary	**–**	(98)
Loss from operating activities	**(696)**	(3,632)
Finance costs	–	(18)
Share of losses of associates	**(1,174)**	(350)
Loss before tax	**(1,870)**	(4,000)
Tax	**–**	(81)
Net loss from ordinary activities attributable to shareholders	**(1,870)**	(4,081)

There were no assets or liabilities relating to the discontinued operations at 30 April 2004 and 2005.

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. DISCONTINUING OPERATIONS

On 7 February 2005, the Group and a mineral exploration and development company whose shares are listed on the TSX Venture Exchange entered into a conditional agreement to sell its entire interest in and an interest-free shareholder loan in the principal amount of HK$12,999,000 advanced to an associate (note 21) for consideration of CAD9,197,000 (equivalent to approximately HK$57,849,000) (the "Disposal"). Details of the Disposal are set out in a circular to the shareholders of the Company dated 15 March 2005. Upon completion of the Disposal, the Group will cease to engage in any mining business. At the balance sheet date, the Disposal has not been completed. It is expected that the Disposal will be completed before the end of 2005.

The turnover, other revenue, expenses and results of the discontinuing operations for the year, together with the corresponding amounts for the prior period, are classified and disclosed under discontinuing operations in accordance with SSAP 33 as follows:

	2005	2004
	HK$'000	HK$'000
Turnover	**–**	24,329
Cost of sales	**–**	(15,235)
Gross profit	**–**	9,094
Other revenue	**–**	2,265
Selling and distributing costs	**–**	(1,077)
Administrative expenses	**–**	(2,596)
Gain on disposal of subsidiaries	**–**	9,161
Other operating expenses	**–**	(2,706)
Profit from operating activities	**–**	14,141
Finance cost	**–**	(212)
Share of results of associates	**14,690**	(764)
Profit before tax	**14,690**	13,165
Tax	**(2,903)**	(861)
Net profit from ordinary activities attributable to shareholders	**11,787**	12,304

6. DISCONTINUING OPERATIONS (continued)

The carrying amount of the total assets relating to the discontinuing operations are as follows:

	2005	2004
	HK$'000	HK$'000
Interests in associates	**37,595**	26,556

7. 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 financial services segment engages in bullion, forex, securities, futures and options contracts broking and trading business, and margin financing;

– the corporate and others segment comprises the holding of investment properties and loan financing, provision of management and consultancy services together with corporate income and expense items;

– the mining segment represents the mining operations in Mainland China which will be discontinued upon the completion of the Disposal as disclosed in note 6; and

– the shipment sales segment engaged in the shipment sale was discontinued during the 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.

7. 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				Discontinuing operations		Discontinued operations			
	Financial services		Corporate and others		Mining		Shipment sales		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	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	**23,157**	25,829	**256**	1,374	**–**	24,329	**5,810**	39,876	**29,223**	91,408
Other revenue and gains	**800**	–	**873**	2,186	**–**	105	**50**	428	**1,723**	2,719
Total	**23,957**	25,829	**1,129**	3,560	**–**	24,434	**5,860**	40,304	**30,946**	94,127
Segment results	**3,052**	(1,738)	**(7,144)**	19,797	**–**	4,963	**(920)**	(3,632)	**(5,012)**	19,390
Unallocated interest income and gains									**180**	1,395
Unallocated expenses									**(3,681)**	(2,469)
Profit/(loss) from operating activities									**(8,513)**	18,316
Finance costs, net									**(2,295)**	(2,711)
Share of profits and losses of:										
– jointly-controlled entities	**417**	–	**(3,762)**	(1,295)	**–**	–	**–**	1,247	**(3,345)**	(48)
– associates	**–**	–	**1,738**	(1)	**14,690**	(764)	**(1,174)**	(350)	**15,254**	(1,115)
Gain on disposal of associates	**–**	–	**182**	2,178	**–**	–	**–**	–	**182**	2,178
Amortisation of goodwill on acquisition of associates and jointly-controlled entities	**(3,714)**	–	**(1,250)**	(1,250)	**–**	–	**–**	–	**(4,964)**	(1,250)
Impairment loss on interests in jointly-controlled entities	**–**	–	**–**	(11,500)	**–**	–	**–**	–	**–**	(11,500)
Profit/(loss) before tax									**(3,681)**	3,870
Tax									**(1,478)**	(3,549)
Profit/(loss) before minority interests									**(5,159)**	321
Minority interests									**–**	(506)
Net loss from ordinary activities attributable to shareholders									**(5,159)**	(185)

7. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Continuing operations				Discontinuing operations		Discontinued operations			
	Financial services		Corporate and others		Mining		Shipment sales		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	55,070	68,743	39,236	180,899	–	–	3	85	94,309	249,727
Interests in associates	–	–	1,750	4,516	37,595	25,306	–	–	39,345	29,822
Interests in jointly-controlled entities	20,456	–	(5,849)	6,841	–	–	–	–	14,607	6,841
Unallocated assets									10,493	21,057
Total assets									158,754	307,447
Segment liabilities	45,956	52,897	16,436	17,919	–	–	–	34	62,392	70,850
Unallocated liabilities									17,693	169,666
Total liabilities									80,085	240,516
Other segment information:										
Depreciation and amortisation	1,976	2,431	1,786	5,227	–	2,783	–	4	3,762	10,445
Provision/(write-back of provision) for bad and doubtful debts	(1,717)	3,491	(4,066)	–	–	–	–	–	(5,783)	3,491
Loss/(gain) on disposal of leasehold land and buildings	–	6,889	(6,235)	13,707	–	–	–	–	(6,235)	20,596
Surplus on revaluation of investment properties recognised in the profit and loss account	–	(494)	(1,080)	(25,944)	–	–	–	–	(1,080)	(26,438)
Gain on disposal of non-trading investments	–	–	(3,094)	–	–	–	–	–	(3,094)	–
Loss on disposal of investment properties	–	–	3,864	–	–	–	–	–	3,864	–
Capital expenditure	1,213	302	1,897	15	–	4,958	–	–	3,110	5,275

7. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

Group

	Mainland China		Hong Kong		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**–**	25,382	**29,223**	54,717	**–**	11,309	**29,223**	91,408
Other segment information:								
Segment assets	**38,339**	35,393	**120,415**	272,054	**–**	–	**158,754**	307,447
Capital expenditure	**181**	4,958	**2,929**	317	**–**	–	**3,110**	5,275

8. 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:

	2005	2004
	HK$'000	HK$'000
Turnover		
Continuing operations:		
Fees and commission income from bullion, securities, futures and options contracts broking	**24,421**	23,656
Income/(loss) on trading of bullion, securities, futures and options contracts, net	**(1,264)**	2,080
Interest income from loan and margin financing activities	**–**	93
Gross rental income	**256**	1,374
	23,413	27,203
Discontinuing operations:		
Mining	**–**	24,329
Discontinued operations:		
Shipment sales		
– Metals	**–**	32,018
– Metal scraps	**5,669**	6,805
– Others	**141**	1,053
	29,223	91,408
Other revenue		
Interest income	**1,018**	1,141
Dividend income from:		
– unlisted investments	**–**	564
– listed investments	**2**	8
Others	**884**	2,401
	1,904	4,114
Other gains		
Gain on disposal of leasehold land and buildings	**6,235**	–
Gain on disposal/deemed disposal of subsidiaries	**100**	9,063
Gain on disposal of investments in securities	**3,094**	–
Surplus on revaluation of investment properties	**1,080**	26,438
Gain on disposal of associates	**182**	2,178
	41,818	133,201

9. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Notes	2005 HK$'000	2004 HK$'000
Cost of inventories sold and services provided		**5,774**	54,452
Auditors' remuneration		**830**	620
Depreciation	16	**3,618**	5,792
Amortisation of intangible assets *	22	**144**	3,403
Provision/(write-back of provision) for bad and doubtful debts *		**(5,783)**	3,491
Minimum lease payments under operating leases on leasehold land and buildings		**4,485**	2,847
Staff costs (including directors' remuneration (note 10))			
Salaries		**20,403**	19,174
Pension scheme contributions		**724**	692
Less: Forfeited contributions refunded/offset		**(51)**	(49)
Net pension scheme contributions		**673**	643
Total staff costs		**21,076**	19,817
Gross rental income		**(256)**	(1,374)
Less: Outgoings		**125**	146
Net rental income		**(131)**	(1,228)
Loss on disposal of investment properties		**3,864**	–
Unrealised holding loss/(gain) on trading investments, net		**910**	(1,808)
Loss on disposal/write-off of fixed assets *		**4**	120
Exchange losses, net		**4**	14

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

10. DIRECTORS' REMUNERATION

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

	2005	2004
	HK$'000	HK$'000
Fees:		
Executive directors	1,140	–
Independent non-executive directors	210	240
	1,350	240
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	3,293	3,533
Pension scheme contributions	96	96
	3,389	3,629

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

	Number of directors	
	2005	2004
Nil – HK$1,000,000	10	6
HK$1,000,001 – HK$1,500,000	–	1
HK$1,500,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$2,500,000	–	1
HK$2,500,001 – HK$3,000,000	1	–
	11	8

There was no arrangement under which a director waived or agreed to waive any remuneration for the year (2004: Nil).

During the year, no discretionary bonus was paid to or receivable by any of the directors (2004: Nil) and 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 (2004: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2004: two) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining three (2004: three) non-director, highest paid employees are set out below.

	2005	2004
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	2,225	2,232
Pension scheme contributions	58	57
	2,283	2,289

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of directors	
	2005	2004
Nil – HK$1,000,000	3	2
HK$1,000,001 – HK$1,500,000	–	1
	3	3

During the year, there was no discretionary bonus paid or receivable by any of the five highest paid individuals of the Group (2004: 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 (2004: Nil).

12. FINANCE COSTS, NET

	2005	2004
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**344**	448
Waiver of interest payable on bank loans and other loans	**(247)**	(1,098)
Interest on finance leases	**21**	–
Interest on convertible note	**–**	160
Interest on convertible bonds	**4,711**	6,577
Rental income pledged against the convertible bonds interest *	**(3,300)**	(4,674)
Expenses in relation to issue of convertible bonds	**766**	1,298
	2,295	2,711

* Rental income of HK$3,124,000 (2004: HK$4,472,000) and HK$176,000 (2004: 201,600) earned from the Group's investment properties was assigned and directly paid to a bank for settlement of interest on and expenses in relation to issue of the Bonds (note 32).

13. TAX

	2005	2004
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Underprovision in prior years	**–**	92
Current – Elsewhere	**–**	861
Provision/(write-back of provision) of deferred tax (note 33)	**(1,425)**	1,753
	(1,425)	2,706
Share of tax attributable to:		
Associates	**2,903**	3
Jointly-controlled entities	**–**	840
Total tax charge for the year	**1,478**	3,549

13. TAX (continued)

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (2004: Nil). The statutory tax rate for Hong Kong profit tax is 17.5% (2004: 17.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The statutory tax rate of corporate income tax in Mainland China is 33% (2004: 33%). Xinjiang Yakesi Resources Co., Ltd. ("Yakesi") and 哈密市聚寶資源開發有限公司 ("Jubao"), the associates of the Group established in Mainland China, were exempt from corporate income tax in Mainland China for two years from the first income generating year and were eligible for a 50% relief from income tax for the following three years. As a result of the tax concession, Yakesi was exempt from paying corporate income tax for the years ended 31 December 2000 and 2001, and was subject to corporate income tax rate of 15% for the years ended 31 December 2002, 2003 and 2004 under the Income Tax Law of Mainland China. Yakesi was further granted a tax concession that it is subject to corporate income tax at the rate of 15% for the calendar years 2005 to 2010. Jubao has not generated assessable income for the two years ended 30 April 2004 and 2005.

A reconciliation of the tax charge/(credit) applicable to the Group's profit/(loss) before tax using the statutory rates for the jurisdictions in which the Company, its subsidiaries, jointly-controlled entities and associates are domiciled to the tax credit at the effective tax rates, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Profit/(loss) before tax	**(3,681)**	3,870
Tax charge/(credit) at the statutory rate of 17.5%	**(644)**	677
Higher tax rates for specific provinces and local authority	**304**	141
Income not subject to tax	**(1,942)**	(7,958)
Expenses not deductible for tax	**3,948**	10,800
Tax losses utilised from previous years	**(188)**	(203)
Adjustments in respect of current tax of previous years	**–**	92
Tax charge at the Group's effective rate	**1,478**	3,549

13. TAX (continued)

The Group has unrecognised deferred tax assets from tax losses arising in Hong Kong of HK$43,733,000 (2004: HK$43,921,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Subsequent to the balance sheet date, the unrecognised deferred tax assets from tax losses of HK$12,768,000 was disposed of following the disposal of a wholly-owned subsidiary in which the tax loss was generated. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

14. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders for the year ended 30 April 2005 dealt with in the financial statements of the Company is HK$12,043,000 (2004: HK$11,601,000) (note 37).

15. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of HK$5,159,000 (2004: HK$185,000) and the weighted average of 504,456,000 (2004: 412,566,000) shares in issue during the year.

Diluted loss per share for the years ended 30 April 2005 and 2004 have not been disclosed, as the share options and Bonds (as defined in note 32) outstanding during the two years presented had an anti-dilutive effect on the basic loss per share for both years.

The effect of the Note (as defined in note 32) outstanding during the year ended 30 April 2004 had not been included in the computation of diluted loss per share as the shares to be so issued would be fairly priced and were assumed to be neither dilutive nor anti-dilutive.

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30 April 2005

16. FIXED ASSETS

Group

	Leasehold land and buildings	**Leasehold improvements**	**Furniture, equipment and motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
At beginning of year	65,032	6,640	15,746	87,418
Additions	–	1,280	1,830	3,110
Disposals/write-off	(28,147)	(5,211)	(8,476)	(41,834)
At 30 April 2005	36,885	2,709	9,100	48,694
Accumulated depreciation and impairment:				
At beginning of year	26,998	6,035	12,552	45,585
Provided during the year	1,582	491	1,545	3,618
Disposals/write-off	(18,163)	(5,199)	(8,321)	(31,683)
At 30 April 2005	10,417	1,327	5,776	17,520
Net book value:				
At 30 April 2005	26,468	1,382	3,324	31,174
At 30 April 2004	38,034	605	3,194	41,833

16. FIXED ASSETS (continued)

The Group's leasehold land and buildings are situated in Hong Kong and are held under the following lease terms:

	2005 HK$'000	2004 HK$'000
Long term leases	–	26,356
Medium term leases	**36,885**	38,676
	36,885	65,032

As at 30 April 2004, all leasehold land and buildings in Hong Kong were pledged to secure banking facilities granted to the Group (note 39). The outstanding loans were fully repaid by the Group during the year and the pledged leasehold land and buildings were released accordingly. Subsequent to the balance sheet date, in June 2005, all leasehold land and buildings were pledged for a new banking facility granted to the Group.

The net book value of furniture, equipment and motor vehicles of HK$3,324,000 included an amount of HK$780,000 (2004: Nil) in respect of assets held under financial leases (note 30).

17. INVESTMENT PROPERTIES

	Group	
	2005 **HK$'000**	2004 HK$'000
At beginning of year	**135,366**	123,194
Transfer from leasehold land and buildings	–	6,240
Transfer to leasehold land and buildings	–	(16,626)
Revaluation surplus	**1,080**	26,438
Disposals	**(129,796)**	(3,880)
At end of year	**6,650**	135,366

17. INVESTMENT PROPERTIES (continued)

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

	2005	2004
	HK$'000	HK$'000
Long term leases	**–**	129,796
Medium term leases	**6,650**	5,570
	6,650	135,366

As at 30 April 2005, all investment properties with an aggregate carrying value of HK$6,650,000 were revalued on an open market existing use basis by K.T. Liu Surveyors Limited, a firm of independent professional valuers.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) 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 96 of the Company's annual report.

18. 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:

	2005	2004
	HK$'000	HK$'000
Cost:		
At beginning of year and 30 April	**3,602**	3,602
Accumulated amortisation and impairment:		
At beginning of year and 30 April	**3,602**	3,602
Net book value:		
At 30 April	**–**	–

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.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**41,510**	41,510
Due from subsidiaries	**1,345,974**	1,539,498
Due to subsidiaries	**(47,454)**	(39,393)
	1,340,030	1,541,615
Provision for impairment	**(1,290,316)**	(1,351,549)
	49,714	190,066

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 44 to the financial statements.

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	**28,748**	18,362
Due from jointly-controlled entities	**–**	284
Due to a jointly-controlled entity	**(2,641)**	(305)
	26,107	18,341
Provision for impairment	**(11,500)**	(11,500)
	14,607	6,841

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

During the year ended 30 April 2004, the local government authority has imposed certain measures on a jointly-controlled entity such that the jointly-controlled entity has to invest further sum of capital in order to comply with the new statutory environmental protection requirement. The directors of the Company consider that making additional capital contribution to this jointly-controlled entity may not be the best use of the Group's resources, and accordingly, the Group intends to dispose of or dissolve the jointly-controlled entity and an impairment provision of HK$11,500,000 was made to reduce the carrying value of the jointly-controlled entity to its net realisable value.

Particulars of the principal 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
Lee Fung Hong (Cheung's) Forex Dealers Limited ("LFH Forex")	Corporate	Hong Kong	50%	50%	Dealing in leverage foreign exchange

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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 Aluminium Industry Company Limited (廣西德鑫鋁業有限公司) ("Dexin")	Corporate	Mainland China	50%	50%	Trading and manufacturing of aluminium products

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 sharing 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.

Extracts of the results for the period from the date of acquisition to and financial position as at the balance sheet date of LFH Forex, which are based on LFH Forex's unaudited management accounts prepared under accounting principles generally accepted in Hong Kong, are as follows:

	HK$'000
OPERATING RESULTS	
Turnover	**6,869**
Net profit attributable to shareholders	**835**
Dividends	**–**
ASSETS AND LIABILITIES	
Non-current assets	**214**
Current assets	**92,586**
Current liabilities	**(58,773)**

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Extracts of the results and financial position of Dexin, which are based on Dexin's unaudited management accounts prepared under accounting principles generally accepted in Hong Kong, are as follows:

	2005	2004
	HK$'000	HK$'000
OPERATING RESULTS		
Turnover	122,142	114,246
Net profit/(loss) attributable to shareholders	(7,524)	5,208
Dividends	–	8,411
ASSETS AND LIABILITIES		
Non-current assets	33,232	39,570
Current assets	18,179	16,821
Current liabilities	(21,642)	(19,099)

21. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net assets	26,335	15,553
Unamortised goodwill on acquisition	–	1,250
	26,335	16,803
Loan to an associate	2,100	2,100
Due from associates	13,011	13,287
Due to associates	–	(268)
	41,446	31,922
Provision for impairment	(2,100)	(2,100)
	39,346	29,822

21. INTERESTS IN ASSOCIATES (continued)

The balances with associates are unsecured, interest-free and have no fixed terms of repayment except for the amount due from Alexis of HK$12,999,000 which was repayable in cash on demand.

Subsequent to the balance sheet date, on 4 August 2005, the Group advanced a loan of HK$900,000 to Asia Vigour Productions Limited, an associate of the Company. The loan is unsecured, interest bearing with interest charged at Hong Kong dollar prime rate plus 2% per annum and repayable in cash on 31 March 2006.

These two loans were funded by internal resources. Further details of such financial assistance to affiliated companies are set out in the announcement of the Company made pursuant to Rule 13.16 of the Listing Rules dated 5 August 2005.

On 7 February 2005, Simsen (China) Investment Limited (the "Vendor"), a wholly owned subsidiary of the Company, and Goldsat Mining Inc. ("Goldsat"), a mineral exploration and development company whose shares are listed on the TSX Venture Exchange, entered into a conditional agreement pursuant to which the Vendor has agreed to sell to Goldsat 4,944 issued shares of Alexis Resources Limited ("Alexis"), being the entire equity interest owned by the Vendor, and an interest-free shareholder's loan in the principal amount of HK$12,999,000 advanced by or on behalf of the Vendor to Alexis (the "Disposal"), for consideration of CAD9,197,000 (equivalent to approximately HK$57,849,000).

The consideration will be satisfied by:

(i) CAD2,720,000 (approximately HK$17,108,000) in cash;

(ii) CAD3,810,000 (approximately HK$23,965,000) by a 2% convertible note to be issued by Goldsat with maturity on the second anniversary of the issue date of the note; and

(iii) CAD2,667,000 (approximately HK$16,776,000) by a non-interest bearing secured promissory note ("Promissory Note") to be issued by Goldsat which is due on the day immediately preceding the first anniversary of the completion. The Promissory Note will be secured by a charge over 1,695 ordinary shares in Alexis to be held by Goldsat upon the completion.

The proceeds of the Disposal will be retained as general working capital and general corporate expenses of the Group. Based on the carrying value of Alexis and its subsidiaries as at 30 April 2005, the estimated gain on disposal of Alexis would be HK$13,000,000 and the related legal and professional expenses are estimated to be HK$2,000,000.

Upon completion of the Disposal, the Group will cease to engage in any mining business. At the balance sheet date, the Disposal had not been completed. It is expected that the Disposal will be completed before the end of 2005.

21. INTERESTS IN ASSOCIATES (continued)

The Disposal constituted a very substantial disposal of the Company under the then Chapter 14 of the Listing Rules. Further details of the Disposal are set out in a circular to the shareholders of the Company dated 15 March 2005.

The table below lists the associates of the Company which, in the opinion of the directors of the Company, 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.

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 2005	2004	Principal activities
Alexis Resources Limited	Corporate	British Virgin Islands/ Mainland China	US$10,000	**49.44%**	49.44%	Investment holding
Xinjiang Yakesi Resources Company Limited ("Yakesi") (note (a)) #	Corporate	Mainland China	RMB5,000,000	**47.96%**	47.96%	Mining operations
哈密市聚寶資源開發有限公司 ("Jubao") (note (b)) #	Corporate	Mainland China	RMB5,000,000	**45.93%**	47.48%	Mining operations
Fine Asia Development Limited	Corporate	Hong Kong	HK$100	**49.44%**	–	Provision of management services
Milin Foundate Limited	Corporate	Hong Kong	HK$1,000	**49.44%**	–	Dormant
Asia Vigour Productions Limited #	Corporate	Hong Kong	HK$2	**40%**	40%	Producing, organising and promoting live concerts

Statutory audit of these companies is not performed by Ernst & Young Hong Kong or other Ernst & Young International member firms.

21. INTERESTS IN ASSOCIATES (continued)

Notes:

(a) Yakesi is a Sino-foreign equity joint venture established by Alexis Resources Limited 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.

(b) Jubao is an enterprise established by Yakesi and a PRC venturer in Mainland China. In July 2004, Jubao was reformed as a Sino-foreign equity joint venture with limited liability for a period of 30 years commencing from the date of issuance of its business licence on 12 July 1999, and is owned as to 70% by Yakesi, 25% by Alexis and 5% by a PRC venturer.

A summary of the results for the year and the assets as at the balance sheet date of material associates is set out below:

	2005	2004
	HK$'000	HK$'000
OPERATING RESULTS		
Turnover	**81,751**	19,454
Net profit attributable to shareholders	**23,840**	2,500
ASSETS AND LIABILITIES		
Non-current assets	**63,505**	56,383
Current assets	**35,484**	11,403
Current liabilities	**(22,008)**	(14,046)
Non-current liabilities	**(26,291)**	(26,291)
Minority interests	**(939)**	(28)

22. INTANGIBLE ASSETS

	Group
	HK$'000
Cost:	
At beginning of year and 30 April 2004 and 2005	19,984
Accumulated amortisation:	
At beginning of year	17,677
Provided during the year	144
At 30 April 2005	17,821
Net book value:	
At 30 April 2005	2,163
At 30 April 2004	2,307

23. INVESTMENTS IN SECURITIES

	Group 2005 HK$'000	Group 2004 HK$'000
Non-trading investments:		
Listed equity investments in Hong Kong, at market value	–	70
Unlisted equity investments in Hong Kong, at fair value	**485**	485
Less: Provision for impairment	**(207)**	(207)
	278	278
Unlisted equity investments outside Hong Kong, at fair value	**13,625**	22,178
Less: Provision for impairment	**(13,625)**	(17,164)
	–	5,014
Total non-trading investments	**278**	5,362
Less: Portion classified as current assets	–	(70)
Long term portion	**278**	5,292
Trading investments:		
Listed equity investments in Hong Kong, at market value	**4,464**	5,392
Investment in securities classified as current assets:		
Non-trading investments	–	70
Trading investments	**4,464**	5,392
	4,464	5,462

24. OTHER LONG TERM ASSETS

	Group	
	2005	2004
	HK$'000	HK$'000
Cost of membership of the Chinese Gold and Silver Exchange Society	**2,000**	2,000
Deposits with the SEHK:		
Compensation Fund	**200**	200
Replenished Compensation Fund	**7**	7
Fidelity Fund	**200**	200
Admission fee paid to the Hong Kong Securities Clearing Company Limited	**200**	200
Contribution in cash to the Guarantee Fund of the Central Clearing and Settlement System	**200**	200
Deposit with the Reserve Fund of HKFE Clearing Corporation Limited	**1,500**	–
	4,307	2,807

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; or

(b) open credit of 31 to 90 days.

25. TRADE RECEIVABLES (continued)

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

	Group	
	2005	2004
	HK$'000	HK$'000
0-30 days	**25,339**	34,715
31-60 days	**2,081**	971
61-90 days	**51**	551
Over 90 days	**3,076**	4,168
	30,547	40,405
Provision for bad and doubtful debts	**(2,368)**	(4,265)
	28,179	36,140

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

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**7,492**	8,281	**444**	3,960
Time deposits	**3,000**	17,555	**–**	–
	10,492	25,836	**444**	3,960
Less: Pledged time deposits and cash and bank balances for:				
Convertible bonds	**–**	(19,743)	**–**	(3,188)
Bank overdrafts	**(3,000)**	(1,000)	**–**	–
	(3,000)	(20,743)	**–**	(3,188)
Cash and cash equivalents	**7,492**	5,093	**444**	772
Bank trust account balances *	**13,757**	12,391	**–**	–

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

27. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
0 – 30 days	**40,588**	48,553
31 – 60 days	**22**	9
61 – 90 days	**–**	–
Over 90 days	**563**	34
	41,173	48,596

28. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2005	2004
	HK$'000	HK$'000
At beginning of year	**3,485**	3,421
Additional provision	**307**	126
Amounts utilised during the year	**(123)**	(62)
	3,669	3,485
Portion classified as current liabilities	**–**	–
Non-current portion	**3,669**	3,485

The Group 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 Group to the balance sheet date.

29. DUE TO RELATED COMPANIES

Amounts due to related companies were unsecured, interest-free and had no fixed terms of repayment.

30. OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**277**	–	**269**	–
In the second year	**277**	–	**250**	–
In the third to fifth years, inclusive	**134**	–	**123**	–
	688	–	**642**	–
Less: Future finance charges	**(46)**	–		
Present value of lease obligations	**642**	–		
Less: Amounts due for payment within one year	**(269)**	–		
Amounts due for payment after one year	**373**	–		

The Group leases certain of its fixed assets under finance leases. The lease terms are for three years. Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

31. BANK AND OTHER BORROWINGS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loan, secured and repayable				
Within one year	**1,478**	1,474	**–**	–
In the second year	**1,417**	1,416	**–**	–
In the third to fifth years, inclusive	**1,798**	3,094	**–**	–
	4,693	5,984	**–**	–
Other loans, unsecured	**12,457**	4,292	**8,000**	–
Total interest-bearing borrowings	**17,150**	10,276	**8,000**	–
Portion classified as current liabilities	**(13,935)**	(1,474)	**(8,000)**	–
Amount due for payment after one year	**3,215**	8,802	**–**	–

The unsecured other loan included a loan of HK$8,000,000 from 立億投資股份有限公司 (the "Lender"), a shareholder of the Company, which was interest-free and repayable on 16 October 2005. Pursuant to an agreement entered into between the Company and the Lender dated 20 June 2005, the repayment date of the loan was extended to 16 October 2006. The remaining balance of the Group's unsecured other loan is interest-bearing with interest charged at London Interbank Offered Rate plus 2% per annum and repayable within one year.

32. CONVERTIBLE NOTE AND BONDS

		Group and Company	
		2005	2004
	Notes	**HK$'000**	HK$'000
2% convertible note	(a)	**–**	8,000
4.25% convertible bonds	(b)	**–**	150,000
		–	158,000
Portion classified as current liabilities		**–**	(8,000)
Non-current portion		**–**	150,000

32. CONVERTIBLE NOTE AND BONDS (continued)

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

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"), a 2% convertible note due 16 October 2004 in the principal sum of HK$8,000,000 was issued by the Company to the Noteholder on 16 October 2002.

The Note could be 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., 16 October 2004. The Noteholder could, 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 had not been converted into shares of the Company. Upon the expiry of the Note, the Group entered into an agreement with the Noteholder to restructure the Note into a loan of the same amount with a repayment date of 16 October 2005. As at 30 April 2005, the loan was recorded as unsecured other loans.

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

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 due 20 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 could be 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") guaranteed the Company's obligation to repay the outstanding principal amount of the Bonds up to HK$150,000,000 (the "Guarantee"). The proceeds from the issue of the Bonds were utilised to repay the Group's bank borrowings owed to the Guarantor.

32. CONVERTIBLE NOTE AND BONDS (continued)

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

On 13 December 2004, the Group disposed of certain properties (the "Properties") which were used as security for the Bonds and the Guarantee. The disposal of the Properties triggered an event of default under the Bonds and all amounts outstanding under the Bonds were repaid on 28 January 2005.

33. DEFERRED TAX

The movement in deferred tax liabilities during the year is as follows:

Deferred tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of year	**14**	20	**1,759**	–	**1,773**	20
Charge/(credit) for the year	**–**	(6)	**(1,425)**	1,759	**(1,425)**	1,753
At 30 April	**14**	14	**334**	1,759	**348**	1,773

34. DUE TO DIRECTORS

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

35. SHARE CAPITAL

Shares

	2005	2004
	HK$'000	HK$'000
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
At 1 May 2003, 30 April 2004 and 1 May 2004		
– 412,566,000 ordinary shares of HK$0.01 each		
Issued during the year	**4,126**	4,126
– 195,000,000 ordinary shares of HK$0.01 each	**1,950**	–
At 30 April 2005	**6,076**	4,126

During the year ended 30 April 2005, the movements in share capital were as follows:

(i) Pursuant to a conditional sale and purchase agreement dated 26 March 2004 between the Company and Mr. Haywood Cheung, the Company acquired 50% of the equity interest of LFH Forex from Mr. Haywood Cheung for a consideration of HK$17,160,000 (the "Acquisition"), which were satisfied (i) as to HK$8,360,000 in cash and (ii) as to HK$8,800,000 by the issue and allotment by the Company of a total of 100,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company ("Shares") (note 38(b)(i)). The Acquisition was completed on 10 November 2004.

(ii) Pursuant to a conditional placing agreement dated 26 March 2004 between the Company and Karl-Thomson Securities Company Limited (the "Placing Agent"), the Placing Agent agreed to procure placees (including no less than six institutional, professional and/or individual investors) to subscribe for 95,000,000 new Shares at the placing price of HK$0.088 per placing share (the "Placing"). The placing price represented a premium of approximately 6.02% over the closing price of HK$0.083 per share as quoted on the SEHK on 26 March 2004 (being the last trading day immediately preceding the suspension of trading in Shares on 29 March 2004). The Placing was completed on 10 November 2004. The net proceeds from the Placing of HK$8,360,000 was used to fund the cash consideration of the Acquisition as stated in (i) above.

35. SHARE CAPITAL (continued)

Details of the Acquisition and the Placing are set out in the circular to the shareholders of the Company dated 20 April 2004.

On 22 February 2005, Haywood Shares Holding Limited ("HSHL") and the Company jointly announced that HSHL made voluntary conditional cash offers to acquire all the issued Shares ("Share Offer") and for the cancellation of all outstanding share options ("Option Offer") (other than the Shares and share options already owned by HSHL and the parties acting in concert with it) ("Offers"). The Offers closed on 14 April 2005 and HSHL received valid acceptances in respect of 153,755,127 Shares under the Share Offer, representing approximately 25.31% of the issued Shares. Taking into account the valid acceptances under the Share Offer, HSHL and the parties acting in concert with it are interested in 319,125,127 Shares, representing approximately 52.53% of the issued Shares. Details of the Offers are set out in the composite offer document of the Company and HSHL dated 15 March 2005.

36. SHARE OPTION SCHEMES

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.

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, the directors of the Company considered 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 previous share option scheme (the "Previous Scheme") adopted in 1994 with a life span of 10 years was terminated and a new share option scheme (the "New Scheme") was adopted.

Under the New Scheme the directors of the Company 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 shareholders of the Company's subsidiaries. The New Scheme became effective on 4 March 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

36. SHARE OPTION SCHEMES (continued)

The maximum number of unexercised share options currently permitted to be granted under the New 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 Scheme since its adoption. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at the exercise date. 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 of the Company. 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 of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options is determinable by the directors of the Company, 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.

No share options were granted since the adoption of the New Scheme.

Notwithstanding the termination of the Previous Scheme, the share options previously outstanding thereunder remain valid. As a result of the Option Offer disclosed in note 35 above, HSHL received valid acceptances in respect of 4,700,000 share options under the Option Offer. The share options which were accepted under the Option Offer, together with those granted to HSHL and parties acting in concert with it, for a total of 7,200,000 share options were cancelled on 18 April 2005.

36. SHARE OPTION SCHEMES (continued)

The movements of the share options granted under the Previous Scheme during the year and at the balance sheet date were as follows:

Name or category of participant	Number of share options outstanding at 1 May 2004	Date of grant*	Exercise price** HK$	Exercise period	Lapsed during the year	Cancelled during the year	Number of share options outstanding at 30 April 2005
Directors							
Mr. Haywood Cheung	2,500,000	02/03/1998	2.8	02/09/1998 to 01/03/2008	–	2,500,000	–
Mr. Felipe Tan	500,000	20/01/1997	8.0	20/07/1997 to 19/01/2007	–	500,000	–
	1,750,000	02/03/1998	2.8	02/09/1998 to 01/03/2008	–	1,750,000	–
Mr. So Pak Kwai	30,000	20/01/1997	8.0	20/07/1997 to 19/01/2007	–	30,000	–
	4,780,000					4,780,000	
Other employees in aggregate	20,000	20/01/1997	8.0	20/07/1997 to 19/01/2007	–	20,000	–
	5,700,000	02/03/1998	2.8	02/09/1998 to 01/03/2008	3,300,000	2,400,000	–
	10,500,000				3,300,000	7,200,000	–

* 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 and 28 of the annual report.

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 associates 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 HK$'000	**Contributed surplus** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 May 2003	254,516	25,760	(240,732)	39,544
Net loss for the year	–	–	(11,601)	(11,601)
At 30 April and 1 May 2004	254,516	25,760	(252,333)	27,943
New issue of shares	15,092	–	–	15,092
Net loss for the year	–	–	(12,043)	(12,043)
At 30 April 2005	269,608	25,760	(264,376)	30,992

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.

37. RESERVES (continued)

Company (continued)

Subsequent to the balance sheet date, pursuant to a resolution proposed in a meeting of the board of the directors of the Company on 23 August 2005, the directors of the Company propose to (1) cancel the entire amount standing to the credit of the Company's share premium account as at 30 April 2005 (the "Share Premium Reduction"); (2) transfer the credit arising from the Share Premium Reduction to the contributed surplus account of the Company; and (3) apply an amount from the contributed surplus account to set off against the balance of the Company's accumulated losses in full as at 30 April 2005.

The completion of the Share Premium Reduction, the transfer of the credit arising therefrom to the contributed surplus and the application of the contributed surplus to set off against the accumulated losses of the Company is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2005	2004
	HK$'000	HK$'000
Net assets disposed of:		
Intangible assets	–	37,157
Fixed assets	–	15,138
Interests in jointly-controlled entities	–	2,417
Inventories	–	816
Trade receivables	–	186
Prepayments, deposits and other receivables	–	3,362
Cash and bank balances	–	4,611
Trade payables	–	(732)
Other payables and accrued liabilities	–	(5,471)
Bank loans	–	(3,178)
Amounts due from a minority shareholder	–	(1,595)
Loan due to the Group	–	(12,081)
Tax payable	–	(861)
Minority interests	–	(634)
	–	39,135
Realisation of reserves:		
General reserve	–	(1,084)
Currency translation reserve	–	(210)
Gain on disposal of subsidiaries (note 8)	100	9,063
Transfer to interests in associates	–	(13,753)
	100	33,151
Satisfied by:		
Promissory note	100	–
Cash	–	21,454
Loan due to the Group (note 19)	–	11,697
	100	33,151

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

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

	2005	2004
	HK$'000	HK$'000
Cash consideration	–	21,454
Cash and cash balances disposed of	–	(4,611)
Set-off against other loan due by the Group	–	(15,000)
Net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	1,843

The subsidiaries disposed of during the year ended 30 April 2005 had no significant impact on the Group's consolidated turnover and loss after tax for the year.

The subsidiaries disposed of during the year ended 30 April 2004 contributed HK$56,347,000 and HK$2,583,000 to the Group's consolidated turnover and loss after tax and minority interests for the year, respectively.

(b) Non-cash transactions

(i) During the year ended 30 April 2005, the Group acquired a 50% equity interest in LFH Forex. A portion of the consideration was satisfied by way of issue of shares of the Company (note 35(i)).

(ii) During the year ended 30 April 2005, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$832,000 (2004: Nil).

(iii) During the year ended 30 April 2004, certain equity interests in former subsidiaries were disposed of (note (a) above). A portion of the consideration that amounted to HK$15,000,000 was set off against loan due by the Group to a third party according to the instruction given by such party.

39. BORROWING FACILITIES

As at the balance sheet date, the Group's borrowing facilities were secured by the following:

Interest-bearing bank and other borrowings

(a) bank deposits of a wholly-owned subsidiary of the Company amounting to HK$3,000,000 (2004: HK$1,000,000);

(b) bank deposits of the Honorary Chairman of the Company amounting to HK$2,653,000 (2004: HK$2,644,000);

(c) first legal charges on all investment properties of the Group with carrying value of HK$6,650,000 (2004: HK$5,570,000);

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

(e) listed investments of a wholly-owned subsidiary of the Company;

(f) personal guarantees executed by the Honorary Chairman, a director of the Company and certain executives of a subsidiary of the Company; and

(g) corporate guarantees executed by the Company.

Bonds and guarantee

As at 30 April 2004, the Group's Bonds and guarantee facilities were also secured by the following:

(a) first legal charges on certain investment properties of the Group with carrying value of HK$129,796,000;

(b) first legal charges on all of the leasehold land and buildings of the Group in Hong Kong with net book value of HK$38,034,000;

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

(d) bank deposits of the Group amounting to HK$19,743,000;

(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:

	2005	2004
	HK$'000	HK$'000
Guarantee for borrowing and guarantee facilities granted to subsidiaries	**12,693**	163,983

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17) under operating arrangements, with leases negotiated for terms ranging from two to five 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 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**320**	5,784
In the second to fifth years, inclusive	**–**	5,371
	320	11,155

41. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 30 April 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**3,568**	7,754
In the second to fifth years, inclusive	**1,067**	2,467
	4,635	10,221

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had commitments of HK$62,553,000 (2004: HK$11,219,000) in respect of the net open position of bullion contracts undertaken in the ordinary course of business existing at the balance sheet date.

Save as disclosed above, the Group and the Company did not have any other significant commitments as at 30 April 2005.

43. RELATED PARTY TRANSACTIONS

(a) Other than those disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2005**	2004
		HK$'000	HK$'000
Interest paid to a related company	(i)	**–**	7
Management fee received from:			
– a jointly-controlled entity	(ii)	**507**	343
– related companies	(ii)	**–**	310
– associates	(ii)	**–**	245
Management fee paid to a related company	(ii)	**–**	172
Rental expense paid to related companies	(iii)	**162**	551
Purchases of goods from a jointly-controlled entity	(iv)	**–**	31,416
Dividend income received from:			
– a related company		**–**	564
– a jointly-controlled entity		**–**	4,218
– an associate		**742**	–

Notes:

(i) Interest paid to a related company arose from a loan granted with interest charged at London Interbank Offered Rate plus 2% per annum.

(ii) Management fee were based on the actual costs incurred for the services provided.

(iii) Rental expense was based on the actual cost incurred.

(iv) The directors of the Company consider that the purchases were made according to terms and conditions comparable to those offered to other customers of the jointly-controlled entity.

(b) Cheung's Enterprise Holdings Limited, a shareholder of the Company, 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 2004. The facilities were fully repaid by the Group during the year.

43. RELATED PARTY TRANSACTIONS (continued)

(c) Mr. Haywood Cheung, a director of the Company, had provided guarantee on banking facilities granted to a subsidiary of the Company totalling HK$32,000,000 as at 30 April 2004. The guarantee was released during the year.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists the subsidiaries of the Company which, in the opinion of the directors of the Company, 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 of the Company, result in particulars of excessive length.

Name	**Place of incorporation and operations**	**Nominal value of issued ordinary share paid-up capital**	**Percentage of equity attributable to the Group**		**Principal activities**
			2005	2004	
Held directly					
Firstmount International Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Held indirectly					
Century Profit Investment Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Cheung's Gold Dealers Limited	Hong Kong	HK$10,000,000	**100**	100	Metal trading and property holding for rental purposes
Cheung's Gold Traders Limited	Hong Kong	HK$5,000,000	**100**	100	Metal broking and trading
Cheung's Securities Brokers Limited	Hong Kong	HK$10,000,000	**100**	100	Securities and futures contracts broking and trading

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation and operations	Nominal value of issued ordinary share paid-up capital	Percentage of equity attributable to the Group 2005	2004	Principal activities
Held indirectly (continued)					
Excel Vision Development Limited	Hong Kong	HK$1,000	**100**	100	Property holding for rental purposes
Lee Fung Hong Bullion Limited	Hong Kong	HK$30,000,000	**100**	100	Property holding
Lee Fung Hong (Cheung's) Bullion Limited	Hong Kong	HK$1,000,000	**100**	100	Metal broking and trading
Multilever Limited	British Virgin Islands/ Hong Kong	US$10	**100**	100	Investment holding
Simsen Capital Finance Limited	Hong Kong	HK$1,000	**100**	100	Loan financing
Simsen (China) Investment Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Simsen Metals Company Limited	Hong Kong	Ordinary HK$100 Deferred HK$300,000*	**100**	100	Investment holding and provision of management services
Simsen Services Company Limited	Hong Kong	HK$10,000	**100**	100	Provision of management services

* 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 balances 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.

45. COMPARATIVE AMOUNTS

As further explained in notes 5 and 6 to the financial statements, due to the abandonment of the Group's shipment sales operations and the disposal of mining operation through associates in the current year, the presentation of certain items and balances in the financial statements have been revised 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.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 August 2005.