

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION – GOING CONCERN

The Group recorded a net profit attributable to shareholders of HK\$22 million for the six months ended 31st October 2001. As at 31st October 2001, a total outstanding bank and other borrowings of HK\$83 million (comprising a bank loan of HK\$50 million, convertible notes of HK\$17 million and other borrowings of HK\$16 million) were overdue.

As more fully explained in the audited financial statements for the year ended 30th April 2001, the financial covenants underlying a gold loan facility which requires the maintenance of the Group's consolidated net tangible assets at no less than HK\$800 million, as well as the cross-default covenants underlying certain other borrowings as triggered thereby, have not been complied with. The total outstanding loans and other indebtedness affected in this connection amounted to approximately HK\$264 million as at 31st October 2001. As at the latest practicable date for the preparation of the Interim Financial Statements, the total amount of the Group's outstanding loans and other indebtedness so affected has increased to approximately HK\$321 million comprising a gold loan payable of HK\$24 million; a bank loan of HK\$50 million; convertible notes and bonds of HK\$169 million; a promissory note payable of HK\$39 million and accounts payable for gold purchase of HK\$39 million. The terms of the affected facility agreements stipulate that with any non-compliance of credit covenants, the lenders of these borrowings may serve a notice to the Group to declare these borrowings immediately due and repayable. Unless and until such notice is served, the loans remain repayable in accordance with their original stated maturity dates.

Because of the above mentioned financial covenants, convertible notes outstanding as at 31st October 2001 whether overdue for repayment or in breach of any covenants, including any cross-default clause, have been reclassified as current liabilities in preparing the Interim Financial Statements.

The Interim Financial Statements have been prepared on the assumption that the Group will continue to operate as a going concern notwithstanding the conditions prevailing at 31st October 2001 and subsequently up to the date of approval of the Interim Financial Statements. In the opinion of the directors, the liquidity of the Group can be maintained in the foreseeable future, after taking into consideration several financing measures completed subsequent to 31st October 2001 together with other measures in progress at the date of the approval of the Interim Financial Statements. The details of some of these measures are set out in note 18 to the Interim Financial Statements.

In preparing the Interim Financial Statements, the future liquidity of the Group have been considered taking into account the above circumstances. It is believed that the Group will be able to meet its financial obligations as they fall due in the foreseeable future provided that the bankers and financial creditors continue to extend an ongoing support to the Group until such time as new financing has been obtained and the other aforementioned measures successfully implemented. Accordingly, the Interim Financial Statements for the six months ended 31st October 2001 have been prepared on a going concern basis notwithstanding the conditions prevailing as at 31st October 2001 and up to the date of approval of the Interim Financial Statements.

The Interim Financial Statements do not incorporate any adjustments for the possible failure of the above financing measures and the continuance of the Group as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities, respectively. The effect of these potential adjustments has not been reflected in the Interim Financial Statements.

## 2. BASIS OF PREPARATION

The Interim Financial Statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting”, issued by the Hong Kong Society of Accountants (the “HKSA”), and the applicable disclosure requirement of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual accounts for the year ended 30th April 2001, except that the following new/ revised SSAP’s have been adopted for the first time in the preparation of the current period’s Interim Financial Statements:

### **SSAP 14 (Revised) “Leases”**

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment is required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which is further detailed in note 16 to the Interim Financial Statements.

### **SSAP 30 “Business combinations”**

In accordance with SSAP 30 which is effective for accounting periods beginning on or after 1st January 2001, goodwill arising from acquisitions is capitalised and is amortised to the profit and loss account on a straight-line basis over its estimated useful life not exceeding 20 years. Any impairment of the goodwill will be recognised as an expense in the profit and loss account.

Previously, goodwill arising on consolidation/acquisition of subsidiaries and associates is eliminated against reserves in the year of acquisition. The Group has complied with SSAP 30 prospectively for the first time in this interim report period.

The Group has taken advantage of the transitional provisions of SSAP 30 by not restating negative goodwill previously taken to reserves in which it arises. The directors consider that the negative goodwill totalling HK\$47,022,000 which was eliminated against reserves prior to 1st May 2000 will be recognised to the profit and loss account when the respective subsidiary or associate is disposed of by the Group.

### **SSAP 31 “Impairment of assets”**

SSAP 31 prescribes the procedures to be applied to ensure the assets are carried at not more than their recoverable amounts. The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of its assets as the present value of estimated future cash flows together with estimated disposal proceeds at the end of its useful life. The Group is required to assess at each balance sheet date whether there are any indications that assets may be impaired, and if there are such indications, the recoverable amounts of assets are to be determined. Any resulting impairment losses identified are charged to the profit and loss account.

### 3. TURNOVER AND CONTRIBUTION

The principal activities of the Group are refining, moulding, wholesaling and trading of gold bullion, the provision of loans and gold bullion financing, wholesaling and retailing of gold ornaments, diamonds and other jewellery products, and provision of internet-based electronic trading system to facilitate trading of precious metals, internet content provider and related operations.

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area for the six months ended 31st October 2001 is as follows:

	Unaudited Turnover Six months ended 31st October		Unaudited Contribution to profit from operating activities Six months ended 31st October	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(i) By principal activity:				
Sales of gold bullion	5,425,595	2,991,385	52,446	8,874
Sales of gold ornaments, diamond and jewellery products	29,850	50,735	(6,170)	1,113
Money lending and bullion financing	5,081	62,364	3,670	39,904
Provision of internet-based electronic trading system to facilitate trading of precious metals and related business	179	145	(1,665)	(7,951)
	<u>5,460,705</u>	<u>3,104,629</u>	<u>48,281</u>	<u>41,940</u>
(ii) By geographical area:				
Hong Kong	4,929,749	2,221,977	42,900	30,387
The People's Republic of China, excluding Hong Kong	409,880	760,885	4,237	9,952
Malaysia	121,076	121,767	1,144	1,601
	<u>5,460,705</u>	<u>3,104,629</u>	<u>48,281</u>	<u>41,940</u>

#### 4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is stated after charging:

	<b>Unaudited</b>	
	<b>Six months ended 31st October</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	5,977	6,103
Loss on disposal of fixed assets	<u>2,078</u>	<u>104</u>

#### 5. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

	<b>Unaudited</b>	
	<b>Six months ended 31st October</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax provision	2,282	632
Share of tax attributable to associates	<u>—</u>	<u>43</u>
Tax charge for the period	<u>2,282</u>	<u>675</u>

No provision for deferred tax has been made as the net effect of all timing differences is insignificant.

#### 6. DIVIDEND

	<b>Unaudited</b>	
	<b>Six months ended 31st October</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Preference shares, paid, of Nil (2000: HK\$0.05) per share	<u>—</u>	<u>1,270</u>

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 31st October 2001 of HK\$21,750,000 (2000: HK\$21,592,000) less preference dividend of HK\$Nil (2000: HK\$1,270,000) and on the weighted average number of 2,657,694,263 (2000: 1,278,107,672) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended 31st October 2001 was based on the adjusted net profit attributable to shareholders of HK\$24,093,000 after adding back interest on convertible notes, net of tax, of HK\$2,343,000 and on the weighted average number of 2,657,694,263 ordinary shares in issue during the period plus 456,019,938 ordinary shares deemed to be issued if all the convertible notes outstanding had been fully converted and 223,730,004 ordinary shares deemed to be issued if all the convertible redeemable preference shares had been converted. The calculation of this weighted average number of shares for diluted earnings per share has taken into account the effect of 10,819,583 convertible redeemable preference shares issued during the period at a notional value of HK\$5.00 each which can be converted into ordinary shares of the Company at an initial conversion price of HK\$0.2418 each. The calculation has not taken into account the ordinary shares deemed to be issued if the outstanding share options had been exercised as the effect is anti-dilutive.

The diluted earnings per share for last period was not shown as the effect was anti-dilutive.

## 8. INTERESTS IN ASSOCIATES

	As at 31st October 2001 Unaudited HK\$'000	As at 30th April 2001 Audited HK\$'000
Unlisted shares, at cost	—	—
Share of net assets, other than goodwill	6,781	6,781
Unamortised goodwill	1,460,721	1,498,176
	1,467,502	1,504,957
Amounts due from associates	14,730	14,635
	<u>1,482,232</u>	<u>1,519,592</u>

The amount due from associates are unsecured, interest-free and have no fixed terms of repayment.

As more fully explained in note 16 in the last year's annual report of the Company, the Group's interests in associates include indirect equity holdings in a number of investment vehicles (the "Investment Vehicles"), which through contractual arrangements hold profit-sharing interest in a network of over 150 gold ornaments and jewellery retail outlets located throughout various cities in the PRC. Under these contractual arrangements in return for management services and technical support to be rendered, the Investment Vehicles will be entitled to share in revenue generated from these PRC retail outlets from sale of merchandise supplied under these contractual arrangements for an initial operational period of twenty years. In addition, under certain of these contractual arrangements involving a franchise undertaking, the Group will grant to the PRC retail shops rights to use the Group's registered trade-name in their retail sale of gold ornaments and jewellery merchandise. During the period, the Group's share of results from these associates amounted to HK\$895,000 which represented the share of profits for the period of HK\$38,350,000 less amortisation charge on goodwill of HK\$37,455,000.

## 9. MONEY LOAN AND ACCOUNTS RECEIVABLE

	As at 31st October 2001 Unaudited HK\$'000	As at 30th April 2001 Audited HK\$'000
Money loan receivables	160,269	72,503
Accounts receivable	213,516	50,309
	<u>373,785</u>	<u>122,812</u>
Provision for doubtful debts	(32,416)	(32,416)
	<u>341,369</u>	<u>90,396</u>

Money loan receivable represents those receivables arising from the money loan financing business of the Group. They are unsecured term loans, which bear interest at rates ranging from 8% to 24% per annum. The grant of these loans is approved and monitored by the Company's executive directors in charge of the Group's money loan financing operations.

The aging analysis of the money loan receivables is set out as follows:

	As at 31st October 2001 Unaudited HK\$'000	As at 30th April 2001 Audited HK\$'000
Repayable on demand	127,579	27,173
Within one year	32,690	45,330
	<u>160,269</u>	<u>72,503</u>
Provision for bad and doubtful debts	(12,796)	(12,796)
	<u>147,473</u>	<u>59,707</u>

The Group has a defined credit policy for accounts receivable and generally grants credit allowance of one to three months. The aging analysis of accounts receivable is set out as follows:

	As at 31st October 2001 Unaudited HK\$'000	As at 30th April 2001 Audited HK\$'000
Within three months	145,583	34,238
Over three months	67,933	16,071
	<u>213,516</u>	<u>50,309</u>
Provision for bad and doubtful debts	(19,620)	(19,620)
	<u>193,896</u>	<u>30,689</u>

# 10. DUE FROM/(TO) BULLION BROKERAGE CUSTOMERS

Amounts due from bullion brokerage customers are either secured by the underlying margin deposit or unsecured, repayable on demand and bear interest at a commercial terms. On the other hand, amounts due to bullion brokerage customers arise from the ordinary course of business in the brokerage financing of gold bullions trading, and are repayable on demand. As at 31st October 2001, no amounts were due for repayment.

# 11. ACCOUNTS PAYABLE

An aging analysis of accounts payable is analysed as follows:

	As at 31st October 2001 Unaudited HK\$'000	As at 30th April 2001 Audited HK\$'000
Within three months	283,014	339,961
Over three months	23,551	8,513
	<u>306,565</u>	<u>348,474</u>

# 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31st October 2001 Unaudited HK\$'000	As at 30th April 2001 Audited HK\$'000
Bank overdrafts, secured	17,046	22,711
Bank loans:		
Secured	196,707	191,288
Unsecured	25,760	51,487
	<u>222,467</u>	<u>242,775</u>
Other borrowings:		
Secured	15,166	13,199
Unsecured	117,276	22,250
	<u>132,442</u>	<u>35,449</u>
Total bank and other borrowings	371,955	300,935
Portion classified as current liabilities	(301,258)	(228,924)
Long term portion	<u>70,697</u>	<u>72,011</u>

**12. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)**

	As at 31st October 2001 Unaudited HK\$'000	As at 30th April 2001 Audited HK\$'000
Bank borrowings		
The bank borrowings are repayable:		
Within one year	168,816	193,475
In the second year	7,704	45,068
In the third to fifth years, inclusive	24,043	21,961
Beyond five years	38,950	4,982
	<u>239,513</u>	<u>265,486</u>
Other borrowings		
Other borrowings are repayable:		
Within one year	<u>132,442</u>	<u>35,449</u>

**13. DUE TO SHAREHOLDERS**

The balances due are interest-free, unsecured and are repayable on demand. On 18th September 2001, an amount of HK\$30,000,000 out of the total balance was assigned by shareholders to two independent third parties not connected with the Group. This amount was grouped under other payable as at 31st October 2001. On 16th November 2001, all of these balances were settled by the capitalisation of the amounts involved in the issue and allotment of 150,000,000 ordinary shares in the Company at a subscription price of HK\$0.10 each.

**14. SHARE CAPITAL**

	Ordinary shares of HK\$0.1 each		Convertible redeemable preference shares of HK\$1 each		Total
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>					
At 30th April 2001 (Audited)	2,000,000,000	200,000	30,000,000	30,000	230,000
Movement during the period (Unaudited)	<u>98,000,000,000</u>	<u>9,800,000</u>	<u>—</u>	<u>—</u>	<u>9,800,000</u>
At 31st October 2001 (Unaudited)	<u>100,000,000,000</u>	<u>10,000,000</u>	<u>30,000,000</u>	<u>30,000</u>	<u>10,030,000</u>
<i>Issued and fully paid:</i>					
At 30th April 2001 (Audited)	1,510,604,810	151,060	—	—	151,060
Issue of new shares (Unaudited)	1,611,887,558	161,189	10,819,583	10,820	172,009
Exercise of share options (Unaudited)	<u>146,540,000</u>	<u>14,654</u>	<u>—</u>	<u>—</u>	<u>14,654</u>
At 31st October 2001 (Unaudited)	<u>3,269,032,368</u>	<u>326,903</u>	<u>10,819,583</u>	<u>10,820</u>	<u>337,723</u>



## 15. RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with related parties:

		Unaudited Six months ended 31st October 2001		2000
	Notes	HK\$'000		HK\$'000
Rental income received from a substantial shareholder of the Company	(i)	2,354		3,091
Sales of gold bullion to a related company	(ii)	7,486		50
Purchase of gold bullion from a related company	(ii)	<u>22,252</u>		<u>–</u>

*Notes:*

- (i) In the opinion of the directors, the terms of the respective lease agreements underlying rental income were determined with reference to the open market rental value prevailing at the time of inception of the agreements.
- (ii) An executive director of the Company is also a director of the related company undertaking these transactions. Sales and purchases were made according to the gold prices substantially equivalent to those offered to / by the major customers and suppliers of the Company and prevailing at the time of the transaction.

In addition to the foregoing, on 17th April 2001, the Company, Tem Fat Hing Fung (Holdings) Limited ("TFHF") and Can Do Holdings Limited ("Can Do"), a related company in which TFHF was then the single largest shareholder, jointly entered into preference shares subscription agreements (the "Shares Subscription Agreements") with the relevant group/related companies of Cheung Kong (Holdings) Limited, a company also listed in Hong Kong (the "Cheung Kong Companies"), pursuant to which the Cheung Kong Companies agreed to subscribe for 284,000,000 convertible redeemable preference shares (the "'B' Preference Shares") of Can Do at HK\$0.25 per share for a total cash consideration of HK\$71 million.

Pursuant to the Shares Subscription Agreements, the Cheung Kong Companies were granted the right to transfer to the Company, the exercise of which would oblige the Company to acquire, all 'B' Preference Shares with the issue and allotment of new ordinary shares (the "Consideration Shares") in the Company to the Cheung Kong Companies as consideration for the acquisition. In addition, the Cheung Kong Companies are entitled to vary the terms of the shares subscription to the effect that the Cheung Kong Companies may elect to subscribe for the Consideration Shares in the form of both new ordinary shares and also convertible redeemable preference shares in the Company.

On 26th April 2001, the Cheung Kong Companies exercised the right granted under the Shares Subscription Agreements for the subscription of 69,900,000 new ordinary shares of HK\$0.10 each in the Company at a share price of HK\$0.2418 per share and 10,819,583 convertible redeemable preference shares of notional value of HK\$5.00 each in the Company (convertible at an initial conversion price of HK\$0.2418 each into ordinary shares in the Company) at a share price equivalent to its notional value of HK\$5.00 per share. The issue and allotment of these new shares in the Company was completed on 18th September 2001, when the Cheung Kong Companies together became a shareholder of the Company with an attributable aggregate equity interest of 2.32% of the issued share capital of the Company as enlarged by the new issue.

**16. COMMITMENTS UNDER OPERATING LEASES**

As at 31st October 2001, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31st October 2001 Unaudited  HK\$ '000	As at 30th April 2001 Audited (Restated) HK\$ '000
Land and buildings:		
Within the first year	5,809	4,998
In the second to fifth year, inclusive	711	2,642
	<u>6,520</u>	<u>7,640</u>

**17. CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31st October 2001.

**18. POST BALANCE SHEET EVENTS**

- (a) On 15th November 2001, the Group obtained an advance from a non-financial institution of HK\$29 million. The proceeds from the advance were utilised mainly to provide additional working capital for the Group's operations. The advance was fully settled subsequently.
- (b) On 16th November 2001, the Company completed the subscription by Mr. Chan Fat Chu, Raymond and Mr. Chan Fat Leung, Alexander, both of whom are directors and beneficial shareholders of the Company, and also two other independent investors, of 85,000,000, 85,000,000, 250,000,000 and 50,000,000 new ordinary shares of HK\$0.10 each in the Company, respectively, at a subscription price of HK\$0.10 each. The proceeds from subscription in the aggregate amount of approximately HK\$47 million were settled by the capitalisation of certain indebtedness outstanding in the Company of HK\$45 million and directors' remuneration incurred of HK\$2 million.
- (c) On 20th November 2001, the Company completed the subscription at par by the Cheung Kong Companies of 322,000,000 new ordinary shares of HK\$0.10 each and 67,800,000 convertible redeemable preference shares of HK\$1.00 each in the Company pursuant to the share subscription agreement entered into between Cheung Kong Companies and the Company on 18th September 2001. The convertible redeemable preference shares are convertible at an initial conversion price of HK\$0.10 each (subject to adjustment) into 678,000,000 ordinary shares of HK\$0.10 each in the Company. The total subscription consideration of HK\$100,000,000 was satisfied by the transfer to the Company by the Cheung Kong Companies of 400,000,000 'A' convertible redeemable preference shares of HK\$0.25 each in Can Do, as previously allotted to the Cheung Kong Companies and now novated to the Company. Each of the 'A' convertible redeemable preference shares is convertible, in three tranches of preference share nominal value of approximately the same denomination of HK\$33,333,300, into new ordinary shares in Can Do during the respective period of the first 12 months, the 13th month to the 24th month and the 25th month to the 36th month subsequent to their date of issue at a conversion price of HK\$0.90 per share, HK\$1.50 per share and HK\$2.50 per share, respectively. Further details of the convertible redeemable preference shares issued by Can Do are included in the Company's circular to its shareholders of 26th October 2001.

**18. POST BALANCE SHEET EVENTS (Continued)**

- (d) On 19th December 2001 and 10th January 2002, the Group issued two promissory notes in the amount of HK\$10 million and HK\$6 million, respectively, to a non-financial institution for the purpose of raising new finance. These two promissory notes bear interests at a rate of 2% per month, repayable on 18th January 2002 and 9th February 2002 and are secured by the Group's entire holdings of shares in Trasy Gold Ex Limited ("Trasy"). The proceeds from the issuance of promissory notes were utilised mainly to provide additional working capital for the Group's operations. These two promissory notes were fully settled subsequently.
- (e) On 7th January 2002, the Company completed the issue of convertible bonds in the aggregate principal denomination of HK\$116,780,000 to six independent investors. These convertible bonds were issued at their nominal value and fall due for repayment in a period of 3 years subsequent to their date of issuance on 6th January 2005. These bonds are convertible at any time during the period from their date of issuance to their date of maturity into 1,167,800,000 ordinary shares of HK\$0.10 each in the Company at an initial conversion price of HK\$0.10 per share (subject to adjustment). Further details of the issue of convertible bonds are set out in the Company's circular to its shareholders of 15th December 2001. The consideration for the issue of these convertible bonds was satisfied by the novation of certain promissory note liabilities of the equivalent amount of HK\$116,780,000 in aggregate and incurred by the Group during the period from 26th September 2001 to 1st November 2001, the proceeds of which had been utilised as to HK\$44 million in reducing the Group's indebtedness and as to HK\$73 million in the provision of additional working capital for the Group's operations.

Between the period from 7th January 2002 to 3rd May 2002, some holders of these convertible bonds served notices to the Company requiring the conversion of bond principal in the total amount of HK\$59,880,000 into new ordinary shares in the Company at the conversion price of HK\$0.10 each. As a result, a total of 598,800,000 new ordinary shares of HK\$0.10 each of the Company were issued and allotted at par upon full conversion of these convertible bonds.

- (f) On 7th February 2002, the Company completed the issue of convertible bonds in the aggregate principal denomination of HK\$40,000,000 to seven independent investors. These convertible bonds were issued at zero coupon and fall due for repayment in a period of 3 years subsequent to their date of issuance on 7th February 2005. These bonds together with a redemption premium ranging from 50% to 100% of the outstanding bond principal amount, depending on the number of months lapsed since the issuance of the convertible bonds, are convertible during the period from their date of issue to their date of maturity at an initial conversion price of HK\$0.10 per share (subject to adjustment) into a maximum of 800,000,000 ordinary shares of HK\$0.10 each in the Company. Further details of the issue of the convertible bonds are set out in the Company's announcement dated 29th January 2002. The proceeds from the issue of the convertible bonds of HK\$40,000,000 have been utilised to provide additional working capital for the Group's operations.

On 8th February 2002 and 21st February 2002, holders of these convertible bonds served notices to the Company requiring the full redemption of these convertible bonds, and the Company elected to satisfy the said redemption by the issue and allotment of new ordinary shares at HK\$0.10 each with a redemption premium of 100%. As a result, a total of 800,000,000 new ordinary shares of HK\$0.10 each of the Company were issued and allotted.

**18. POST BALANCE SHEET EVENTS (Continued)**

- (g) On 17th April 2002, the Company completed the issue of convertible bonds in the aggregate principal denomination of HK\$81,420,000 to nine independent investors. These convertible bonds were issued at zero coupon and fall due for repayment in a period of 3 years subsequent to their date of issuance on 17th April 2005. These bonds together with a redemption premium ranging from 50% to 100% of the outstanding bond principal amount, depending on the number of months lapsed since the issuance of the convertible bonds, are convertible during the period from their date of issue to their date of maturity at an initial conversion price of HK\$0.10 per share (subject to adjustment) into a maximum of 1,628,400,000 ordinary shares of HK\$0.10 each in the Company. Further details of the issue of convertible bonds are set out in the Company's announcement dated 15th March 2002. The proceeds from the issue of the convertible bonds were utilised to reduce the Group's existing indebtedness.

Between the period from 17th April 2002 to 7th May 2002, holders of these convertible bonds served notices to the Company requiring full redemption of these convertible bonds, and the Company elected to satisfy the said redemption by the issue and allotment of new ordinary shares at HK\$0.10 each with a redemption premium of 100%. As a result, a total of 1,628,400,000 new ordinary shares of HK\$0.10 each of the Company were issued and allotted.

- (h) On 19th April 2002, the Group issued a promissory note in the amount of HK\$20 million to a non-financial institution for the purpose of raising new finance. The promissory note bears interest at a rate of 2% per month, repayable on 4th May 2002 and are secured by the Group's entire holdings of Trasy shares. The proceed from the issuance of promissory note was utilised mainly to provide additional working capital for the Group's operations.
- (i) On 7th May 2002, the Company completed the issue of convertible bonds in the aggregate principal denomination of HK\$50,044,000 to seven independent investors. These convertible bonds were issued at zero coupon and fall due for repayment in a period of 3 years subsequent to their date of issuance on 7th May 2005. These bonds together with a redemption premium ranging from 50% to 100% of the outstanding bond principal amount, depending on the number of months lapsed since the issuance of convertible bonds, are convertible during the period from their date of issue to their date of maturity at an initial conversion price of HK\$0.10 per share (subject to adjustment) into a maximum of 1,000,880,000 ordinary shares of HK\$0.10 each in the Company. Further details of the issue of convertible bonds are set out in the Company's announcement dated 24th April 2002. The proceeds from the issue of the convertible bonds of HK\$50,044,000 were used to reduce certain existing debts of the Group.

On 7th May 2002 and 9th May 2002, holders of these convertible bonds served notices to the Company requiring the full redemption of these convertible bonds, and the Company elected to satisfy the said redemption by the issue and allotment of new ordinary shares of the Company at HK\$0.10 each with a redemption premium of 100%. As a result, a total of 1,000,880,000 new ordinary shares of HK\$0.10 each of the Company were issued and allotted.

**18. POST BALANCE SHEET EVENTS (Continued)**

- (j) On 14th May 2002 and 23rd May 2002, the Company entered into conditional agreements with several independent investors for the subscription of convertible bonds in the aggregate principal denomination of HK\$88,000,000 and HK\$60,000,000, respectively. These convertible bonds are to be issued at zero coupon and fall due for repayment for a period of 3 years subsequent to their date of issue. These bonds together with a redemption premium ranging from 50% to 100% of the outstanding bond principal amount, depending on the number of months lapsed since the issuance of the convertible bonds, are convertible during the period from the date of issue to their date of maturity at an initial conversion price of HK\$0.10 per share (subject to adjustment) into ordinary shares of HK\$0.10 each in the Company. Further details of the issue of these two convertible bonds are set out in the Company's announcements dated 14th May 2002 and 23rd May 2002, respectively. The proceeds from the issue of these convertible bonds will be used to reduce the Group's existing indebtedness and for working capital purpose.
- (k) Subsequent to the balance sheet date, the Group participated in a number of projects in relation to certain gold and jewellery business including jewellery manufacturing in the PRC.

**19. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with the current period's presentation.

**INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 31st October 2001 (2000: Nil).

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FINANCIAL RESULTS**

The Group's turnover for the six months ended 31st October 2001 was HK\$5,461 million, representing a 75.88% increase from HK\$3,105 million for the corresponding period in 2000. Such increase was mainly attributable to the increase in sales volume of bullion trading as a result of the increase in trading activities in international gold market and business activities in Hong Kong and the PRC.

The profit from operating activities posted an increase of HK\$6,341,000 to HK\$48,281,000 (2000: HK\$41,940,000). The unaudited consolidated profit attributable to shareholders for the six months ended 31st October 2001 was HK\$21,750,000 (2000: HK\$21,592,000). The audited consolidated profit attributable to shareholders for the twelve months ended 30th April 2001 was HK\$12,818,000.