Notes to Financial Statements

1. CORPORATE INFORMATION AND UPDATE

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

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

- wholesaling and trading of gold bullion;
- money lending and gold bullion financing;
- wholesaling and retailing of gold ornaments, diamonds and other jewellery products; and
- provision of an Internet-based electronic trading system to facilitate the trading of precious metals, the provision of internet content and related operations.

Through certain associates of the Group, the Group's activities also included the provision of technical support and consultancy services to jewellery retailers operating in Mainland China.

As at 30 April 2001, Tem Fat Hing Fung (Holdings) Limited ("TFHF"), a company incorporated in Bermuda and also listed on the Stock Exchange, was the single largest shareholder of the Company and held approximately 34.49% of the Company's then issued share capital. Following the completion of a number of share placements and subscriptions of new shares in the Company, as well as the conversion of certain convertible bonds into new ordinary shares, the shareholding held by TFHF was diluted to below 10% and TFHF was no longer the single largest shareholder of the Company. As at the balance sheet date and up to the date of approval of these financial statements based on the register required to be kept by the Company pursuant to section 16(1) of the SDI Ordinance, no shareholder held 10% or more of the issued share capital of the Company.

During the year, pursuant to a share subscription agreement with Cheung Kong (Holdings) Limited and its subsidiaries (collectively referred as to the "Cheung Kong Companies"), the Cheung Kong Companies completed subscriptions for a total of 391,900,000 new ordinary shares and 78,619,583 convertible redeemable preference shares in the Company. As at the balance sheet date, the Cheung Kong Companies held an aggregate shareholding of 5.78% of the issued ordinary shares of the Company. The exercise in full of the conversion rights vested in the convertible redeemable preference shares but not taking into account the impact of the debt restructuring described below, would result in the Cheung Kong Companies holding an aggregate shareholding of 16.84% in the Company under its existing share capital structure at the balance sheet date as enlarged by conversion, thereby enabling the Cheung Kong Companies to become the single largest shareholder of the Company. Further details of the share subscription agreements are set out in note 36 to the financial statements.

As more fully explained in note 2 below, subsequent to the balance sheet date, the Company has been engaged in the launch of debt restructuring plan with a view to reduce the level of Group indebtedness and improving its liquidity. Upon completion of the debt restructuring plan, two financial creditors, which are beneficially owned by the same group of independent third parties would, in aggregate, become the single largest shareholder of the Company holding an approximately 26.09% of the then enlarged issued ordinary share capital of the Company before taking into account the conversion of preference shares by the Cheung Kong Companies as noted above. Further details are set out in the Company's announcement dated 12 March 2003. As of the date of approval of the financial statements, the debt restructuring plan is still in process.

1. CORPORATE INFORMATION AND UPDATE *(Continued)*

Investment in jewellery and gold ornaments retail business

In the prior year, the Group established its presence in the gold ornaments and jewellery retail industry in Mainland China through the acquisition of certain associates. These associates have indirect equity holdings in a number of investment vehicles (the "Investment Vehicles"), which, through contractual arrangements, hold profit-sharing interests in a network of over 150 gold ornaments and jewellery retail outlets located at various cities in Mainland China (the "Existing Jewellery Retail Network"). This has paved way for the Group's future expansion of its business operations in Mainland China. During the year, the Existing Jewellery Retail Network contributed to the Group a share of profit of HK$94,887,000 less the relevant portion of amortised goodwill of HK$74,909,000. Further details of these associates are set out in notes 19 and 44 to the financial statements.

In order to further strengthen the Group's presence in the gold ornaments and jewellery retail market in the PRC, subsequent to the balance sheet date on 26 June 2002, the Group entered into a co-operative agreement with National Integrated Company of Hualian Commerce Buildings, Ltd ("NICHCB") for the formation of a strategic alliance to expand its gold and jewellery operations in Mainland China. Pursuant to the co-operative agreement, the Company will grant to the alliance the use of brand name of "RNA" and "慶豐金" and will provide management expertise to NICHCB. NICHCB will identify and coordinate suitable stores in its chain of department stores in Mainland China for the operation of gold and jewellery chain stores. The Group will receive management fee income from such operations. Up to the date of approval of these financial statements, the Group, NICHCB and other business partners of NICHCB have jointly developed two department stores located in Chongqing, Mainland China for the sales of gold ornaments and jewellery and further details thereof are set out in note 42(i) to the financial statements. The Group and NICHCB have been in discussions concerning a number of proposals to establish more shops and outlets in Mainland China. The Group is also considering setting up more retail counters itself within other NICHCB department stores in promoting the Group's brand name and its products. In the opinion of the directors, the business arrangements with NICHCB, which are different from the existing retail outlets under the Existing Jewellery Retail Network, can bring an additional source of revenue to the Group and should have a positive impact on the Group's gold ornaments and jewellery retail business in Mainland China.

2. BASIS OF PRESENTATION – GOING CONCERN

The Group recorded a net loss attributable to shareholders of HK$1,042 million for the year ended 30 April 2002 which was mainly the result of the provision for loss on impairment of goodwill arising on acquisition of certain associates and subsidiaries (HK$757.7 million); a provision for the impairment of long term investments (HK$116.4 million); a provision for doubtful debts (HK$80.0 million); a provision for impairment of fixed assets (HK$13.5 million); and the deficit on revaluation of investment properties (HK$56.9 million). In arriving at the net loss for the current year, operating and non-operating costs of HK$138 million and finance costs of HK$55 million have also been taken into account. As a result of all these, the net asset value of the Group has greatly decreased from HK$1,110 million in 2001 to HK$621 million in 2002.

2. BASIS OF PRESENTATION – GOING CONCERN *(Continued)*

As at 30 April 2002, the Group and the Company had net current liabilities of HK$518 million (2001: HK$587 million) and HK$283 million (2001: HK$307 million), respectively. The total outstanding indebtedness of the Group amounted to HK$526 million (excluding trade related liabilities) as at 30 April 2002, which included bank borrowings of HK$227 million, convertible notes of HK$129 million, promissory notes of HK$39 million, convertible bonds of HK$85 million and other borrowings of HK$46 million. Pursuant to the original repayment terms of the outstanding indebtedness as at 30 April 2002, a total of the Group's indebtedness of HK$430 million was required to be repaid within twelve months from the balance sheet date (including that which was in default as at the balance sheet date comprising HK$174 million bank and other borrowings and HK$18 million convertible notes), which included a total bank borrowings of HK$216 million, convertible notes of HK$129 million, promissory notes of HK$39 million and other borrowings of HK$46 million. By the end of March 2003, the total outstanding indebtedness had increased from HK$526 million to HK$1,001 million, which included bank borrowings of HK$166 million, convertible notes of HK$135 million (including default interest of HK$6 million), promissory notes of HK$83 million, convertible bonds of HK$86 million, and other borrowings of HK$531 million.

As a result of the substantial increase in operating costs, the Group has had difficulties in repaying its short-term indebtedness on time. As noted above, at the balance sheet date, the Group had defaulted in the repayment of certain bank and other borrowings and convertible notes amounting to HK$192 million.

As at 30 April 2002, there was a breach in a financial covenant underlying a gold loan facility granted to the Group which requires the maintenance of the Group's consolidated net tangible assets at not less than HK$800 million. This also triggered the breach of certain cross-default covenants underlying certain other borrowings. The total outstanding borrowings in respect of the above affected in this connection amounted to HK$291 million including payables for gold purchases of HK$38 million, convertible notes of HK$129 million, convertible bonds of HK$85 million and promissory notes of HK$39 million as at 30 April 2002.

By the end of March 2003, the total outstanding indebtedness (including convertible bonds) affected by the above-mentioned covenants amounted to HK$241 million. Based on the terms of the respective loan and/or indebtedness documents, financial creditors of these borrowings may serve notice to the Group to declare these borrowings immediately due and repayable. Unless and until such notice is served, all these borrowings remain repayable in accordance with their original stated maturity dates.

As at 30 April 2002, the Group was also technically in breach of certain other covenants (including financial covenants) governing the issue of convertible notes payable with an aggregate outstanding principal denomination of US$16,560,000 (approximately HK$129 million). Amongst the covenants violated is a requirement for TFHF to maintain an equity interest of not less than 35% in the outstanding issued share capital of the Company. As set out in note 1 to the financial statements, the shareholding of TFHF had been diluted to less than 35% as at 30 April 2002.

2. BASIS OF PRESENTATION – GOING CONCERN *(Continued)*

On 1 September 2001, 17 October 2001 and 12 December 2001, the Company received written notices of consent from certain convertible note holders holding in aggregate convertible notes of US$14,300,000 (approximately HK$110 million) granting waivers of compliance with the affected covenants. As to the remaining convertible notes with an aggregate principal denomination of US$6,850,000 (approximately HK$53 million), principal amounts of US$4,590,000 (approximately HK$35 million, representing 67% of the balance involved) were repaid during the year. The remaining amount of US$2,260,000 (approximately HK$18 million) remains unsettled as at the date of approval of these financial statements. The foregoing waivers for non-compliance granted by the noteholders described above, however, do not extend to the non-compliance with a cross-default clause underlying the issue of these convertible notes which, as noted previously, was triggered by the breach of the financial covenant underlying the gold loan facility which requires the maintenance of consolidated net tangible assets of not less than HK$800 million. Accordingly, all the outstanding convertible notes whether overdue for repayment or in breach of any covenants, including any cross-default clause, have been reclassified as current liabilities in preparing these financial statements.

The financial statements have been prepared on the assumption that the Group and the Company will continue to operate as a going concern notwithstanding the conditions prevailing at 30 April 2002 and subsequently thereto up to the date of approval of these financial statements. In the opinion of the directors, the liquidity of the Group and the Company can be maintained in the foreseeable future, after taking into consideration several financing measures completed or to be completed subsequent to the balance sheet date together with other measures in progress at the date of this report which include, but are not limited to, the following:

(i) Subsequent to the balance sheet date, the Company completed the issue of six convertible bonds with an aggregate principal denomination of HK$523,024,000 to a number of independent investors. These convertible bonds were issued at a zero coupon rate and could be called for redemption at any time up to 3 years subsequent to their date of issuance in 2005. These convertible bonds, together with a redemption premium ranging from nil 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 each per share (subject to adjustment) into a maximum of 1,046,048,000 new ordinary shares of HK$0.10 each in the Company. Further details of the terms of such convertible bonds are set out in note 42 to the financial statements. The proceeds from the issue of the convertible bonds were partially utilised to reduce the Group's indebtedness arising from borrowings made subsequent to the balance sheet and primarily to finance the Group's gold bullion trading and financing business.

(ii) On 6 June 2002, the Group disposed of its investment properties located outside Hong Kong to an independent third party for a cash consideration of HK$44,800,000 (the "Disposal"). The proceeds from the Disposal were utilised to repay outstanding borrowings of the same amount together with the relevant outstanding interest thereon up to the date of disposal.

(iii) On 12 March 2003, the directors of the Company proposed to reduce the nominal value of each existing ordinary share from HK$1.00 to HK$0.001 by cancelling the Company's paid-up capital to the extent of HK$0.999 on each issued ordinary share of the Company (the "Capital Reorganisation"). In the opinion of the directors, the Capital Reorganisation should facilitate the Company in its endeavours to raise funds by means of the issue of ordinary shares as well as to implement the proposed debt restructuring as set out below.

2. BASIS OF PRESENTATION – GOING CONCERN *(Continued)*

On the same date, the directors further announced that the Company had entered into subscription agreements with certain creditors of the Group who have given consent to the Group for their participation in a proposed issue of convertible bonds and/or new ordinary shares to settle the outstanding debts due to them by the Group (the "Debt Restructuring"). With reference to the Company's announcements dated 12 March 2003 and 15 April 2003, the aggregate unaudited indebtedness of the Group (which included trade and other payables of HK$73 million and convertible notes held by a subsidiary of the Company of HK$60 million) amounted to approximately HK$1,134 million as at the end of March 2003. Out of this total indebtedness, certain creditors of the Group, with aggregate indebtedness owing to them of HK$826 million have given consent to the Group for their participation and the holders of the remaining indebtedness of approximately HK$308 million will not be dealt with in this Debt Restructuring.

The principal elements of the Debt Restructuring which must be completed on or before 16 July 2003, are summarised as follows:

(a) The Company entered into subscription agreements with certain creditors of the Group for the issuance of convertible bonds with an aggregate principal amount of approximately HK$447 million. The principal terms of these convertible bonds are summarised as follows:

(i) issued at a zero coupon rate;

(ii) due for repayment three years from the date of issue at a premium of 115% of the total outstanding amount; and

(iii) convertible into new ordinary shares at price of HK$0.02 per new share.

Further details of the terms of these convertible bonds are set out in the Company's announcement dated 12 March 2003.

(b) The Company also entered into subscription agreements with forty-nine creditors of the Group for the issuance of 16,090,629,900 new ordinary shares at HK$0.02 each to raise additional funds of approximately HK$322 million; and

(c) The Company has been in negotiations for standstill arrangements with the remaining eight financial creditors to whom the Group is indebted for approximately HK$57 million. These financial creditors have preliminarily agreed to allow the Group to postpone their debt repayments for designated time periods.

The completion of the Debt Restructuring is still conditional upon the fulfillment of the conditions as set out in the Company's announcement dated 12 March 2003.

(iv) The Group recovering its long term receivables and money loan and accounts receivable subsequent to the date of approval of these financial statements.

Having considered the Debt Restructuring, in the opinion of the directors, if the Debt Restructuring is successfully implemented, the total current liabilities and non-current liabilities as at the end of March 2003 will be reduced by HK$314 million and HK$8 million, respectively (equivalent to approximately 28% of the total indebtedness as at March 2003). Accordingly, the net asset value of the Group will also be increased by HK$322 million.

2. BASIS OF PRESENTATION – GOING CONCERN *(Continued)*

In preparing these financial statements, the directors have considered the future liquidity of the Group particularly in light of the above circumstances from (i) to (iv). On the basis that the Debt Restructuring is successfully completed, continued financial support is extended by its principal bankers and financial creditors and the recovery of the Group's receivables outstanding as at the balance sheet date and subsequent thereto, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. However, the validity of the going concern basis is dependent upon the completion of the Debt Restructuring (the "Completion") and the ability of the Group to recover the long term receivables and money loans and accounts receivable as set out in notes 21 and 23. The Completion is subject to the approval from the shareholders of the Company and the granting of approval by the Listing Committee of the Stock Exchange of the listing and permission to deal in all new ordinary shares to be issued or converted pursuant to the Debt Restructuring (the "Approvals"). In the opinion of the directors, provided that the Approvals can be obtained in the near future, and the above noted measures implemented successfully, the Group will be able to meet its financial obligations in full as they fall due in the foreseeable future.

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

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(Continued)*

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and interpretations which have had a significant effect on the financial statements are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and 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 resprospectively or prospectively, in accordance with the requirements of the SSAP. The disclosure changes under the SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 40 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 6 to the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and the interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 5 to the financial statements. The required new additional disclosures are included in note 37 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for the impairment of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

4. RELATED PARTY TRANSACTIONS

In addition to the connected transactions and balances detailed on pages 102 to 104 of this annual report, the Group also had the following material transactions with related parties during the year.

		Group	
	Notes	**2002**	**2001**
		HK$'000	*HK$'000*
Rental income received from a substantial shareholder of the Company	(i)	4,050	5,824
Sales of gold bullion to a related company	(ii)	7,486	7,417
Purchases of gold bullion from a related company	(ii)	22,255	7,363
Sales of jewellery products to a jointly-controlled entity	(iii)	16,769	–

Notes:

(i) In the opinion of the directors, the terms of the respective lease agreements underlying the rental income were determined with reference to the open market rental value prevailing at the time of inception of the lease 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 gold prices substantially equivalent to those offered to/by the major customers and suppliers of the Group prevailing at the time of the transactions.

(iii) Sales were made according to published gold prices substantially equivalent to those offered to/by the major customers and suppliers of the Group prevailing at the time of the transactions.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and gold bullion, 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 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control over the joint venture company;

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

(c) an associate, if the Group does not have unilateral or joint control, but holds 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 less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entity

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having material control over the economic activity of the jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of jointly-controlled entities, which was not previously eliminated or recognised in reserves, is included as part of the Group's interests in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long-term assets and are stated at cost less any impairment losses.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in the 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 or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill/Negative goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition. Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

Goodwill arising on acquisition is recognised in the balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not exceeding 20 years. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet. In the prior year, goodwill arising on acquisition of certain associates was capitalised and amortised over the contractual operational period of twenty years.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/ amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In prior years, goodwill or negative goodwill arising on acquisitions was eliminated against consolidated reserves or credited to the capital reserve in the year of acquisition, respectively. The Group has adopted the transitional provision of SSAP 30 that permits goodwill/negative goodwill on acquisitions which occurred prior to 1 May 2001, to remain eliminated against consolidated reserves or credited to the capital reserve. Goodwill/Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

5. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Goodwill/Negative goodwill *(Continued)*

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 remains unamortised or has not been recognised in the consolidated profit and loss account and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

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.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation

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

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

Land and buildings	2.5%
Freehold shoplots	2%
Leasehold improvements	15%
Furniture, fixtures and equipment	15%
Plant and machinery	10 – 15%
Motor vehicles	25%

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.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Leased assets

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Other long term investments in listed and unlisted equity securities, intended to be held on a long term basis, are stated at their fair values at the balance sheet date, on an individual investment basis.

The fair values of such listed securities are their quoted market prices at the balance sheet date.

The fair values of such unlisted securities are as estimated by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or comparison of price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories comprise raw materials, work in progress and finished goods of gold ornament, diamond and jewellery products and are stated at the lower of cost and net realisable value. Cost comprises the purchase price and processing cost and is determined on the weighed average basis. Net realisable value is determined by reference to the net sales proceeds of items sold in the ordinary course of business subsequent to the balance sheet date or management estimates based on the prevailing market conditions, less estimated selling prices and costs to be incurred to completion and disposal.

Gold bullion

Gold bullion is stated at the gold price prevailing at the close of business on the balance sheet date. Differences arising from the changes in gold prices are dealt with in the profit and loss account.

Hedging

The Group enters into spot contracts with independent third parties to manage exposure to fluctuations in gold prices. Gains and losses arising from the spot contracts, net of the increase or decrease in the amount required to settle the asset or liability, are dealt with in the profit and loss account.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(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) from the rendering of management and consultancy services, in the period in which the services are rendered;

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

(d) interest income from money lending and bullion financing services, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

(e) commission income, on the accrual basis when the related services are rendered; and

(f) dividend income, when the shareholder's right to receive payment has been established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange transaction reserve.

Retirement benefits scheme

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

6. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 to the financial statements. 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 by products are as follows:

(a) the sale of gold bullion;

(b) the sale of gold ornaments, diamonds and other jewellery products;

(c) money lending and bullion financing;

(d) provision of an Internet-based electronic trading system to facilitate trading of precious metals, and related business; and

(e) corporate and property holding, including general corporate income and expense items.

In determining the Group's geographical segments, revenues and results 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

6. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Sale of gold bullion		Sale of gold ornaments, diamonds and jewellery products		Money lending and bullion financing		Provision of Internet-based electronic trading system		Corporate and property holding		Eliminations		Consolidated	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:														
Sales to external customers	8,488,678	5,636,458	58,999	105,415	23,220	122,511	306	353	-	-	-	-	8,571,203	5,864,737
Intersegment sales	-	-	-	-	-	-	4,105	5,929	-	-	(4,105)	(5,929)	-	-
Other revenue	-	-	-	-	-	-	-	-	11,555	18,330	-	-	11,555	18,330
Total	8,488,678	5,636,458	58,999	105,415	23,220	122,511	4,411	6,282	11,555	18,330	(4,105)	(5,929)	8,582,758	5,883,067
Segment results	20,922	24,395	(74,096)	(2,403)	13,010	50,400	(2,744)	(14,909)	(98,958)	(5,693)	-	-	(141,866)	51,790
Interest and dividend income													64	418
Gain on deemed partial disposal of a subsidiary													-	85,170
Provision for interest in a jointly-controlled entity													-	(41,928)
Provision for impairment of long term investments													(116,445)	-
Profit/(loss) from operating activities													(258,247)	95,450
Finance costs													(54,850)	(73,337)
Share of profits and losses of associates													93,872	17
Amortisation of goodwill on acquisition of associates													(74,909)	-
Provision for impairment of goodwill on acquisition of associates													(700,000)	-
Share of losses of jointly-controlled entities													(40)	-
Profit/(loss) before tax													(994,174)	22,130
Tax													(47,080)	(11,485)
Profit/(loss) before minority interests													(1,041,254)	10,645
Minority interests													(1,097)	2,173
Net profit/(loss) from ordinary activities attributable to shareholders													(1,042,351)	12,818

6. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group

	Sale of gold bullion		Sale of gold ornaments, diamonds and jewellery products		Money lending and bullion financing		Provision of Internet-based electronic trading system		Corporate and property holding		Eliminations		Consolidated	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	545,752	123,825	13,147	71,126	45,723	59,707	50,221	52,344	257,537	336,231	-	-	912,380	643,233
Interests in jointly-controlled entities	-	-	13,485	-	-	-	-	-	-	-	-	-	13,485	-
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	1,365	-
Interests in associates	-	-	5,734	6,781	-	-	-	-	738,181	1,512,811	-	-	743,915	1,519,592
Bank overdrafts included in segment assets	5,525	17,658	1,084	964	-	-	-	-	4,154	4,089	-	-	10,763	22,711
Total assets													1,681,908	2,185,536
Segment liabilities	368,900	350,368	5,376	86,302	808	833	4,796	4,849	24,552	33,705	-	-	404,432	476,057
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	624,576	554,688
Bank overdrafts included in segment assets	5,525	17,658	1,084	964	-	-	-	-	4,154	4,089	-	-	10,763	22,711
Total liabilities													1,039,771	1,053,456
Other segment information:														
Depreciation	2,017	2,341	1,147	2,598	-	-	332	309	7,346	7,879	-	-	10,842	13,127
Provision for impairment of fixed assets	-	-	1,372	-	-	-	-	-	12,127	-	-	-	13,499	-
Deficit/(surplus) on revaluation of investment properties	-	-	-	-	-	-	-	-	56,859	(3,500)	-	-	56,859	(3,500)
Provision for impairment of long term investments	-	-	-	-	-	-	-	-	116,445	-	-	-	116,445	-
Capital expenditure	39	380	84	654	-	-	20	484	69	606	-	-	212	2,124

6. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

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

Group

	Hong Kong		Elsewhere in Mainland China		Malaysia		Australia		Eliminations		Consolidated	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:												
Sales to external customers	7,974,316	4,798,009	413,311	888,663	183,576	178,065	–	–	–	–	8,571,203	5,864,737
Other segment information:												
Segment assets	790,316	519,608	831,184	1,602,359	49,541	39,976	104	882	–	–	1,671,145	2,162,825
Bank overdrafts included in segment assets	4,591	15,681	–	–	5,089	6,066	1,083	964	–	–	10,763	22,711
	794,907	535,289	831,184	1,602,359	54,630	46,042	1,187	1,846	–	–	1,681,908	2,185,536
Capital expenditure	173	2,006	3	–	36	115	–	3	–	–	212	2,124

7. TURNOVER AND REVENUE

Turnover represents the net invoiced value of gold bullion, gold ornaments, diamonds and jewellery products sold, after allowance for returns and trade discounts; the value of services rendered; commission and interest income on commodity trading; and interest income received and receivable from the provision of loans and gold bullion financing during the year. An analysis of turnover, other revenue and gains is as follows:

	2002	**2001**
	HK$'000	*HK$'000*
TURNOVER		
Sales of gold bullion	8,488,678	5,636,458
Sales of gold ornaments, diamond and jewellery products	58,999	105,415
Money lending and bullion financing	23,220	122,511
Provision of Internet-based electronic trading system to facilitate trading of precious metals and related business	306	353
	8,571,203	5,864,737
OTHER REVENUE		
Interest income on bank deposits	64	418
Gross rental income from investment properties	10,371	10,530
Consultancy fee income	1,184	7,800
	11,619	18,748

8. GAIN ON DEEMED PARTIAL DISPOSAL OF A SUBSIDIARY

The amount represented the gain on the deemed partial disposal of Trasy Gold Ex Limited ("Trasy") upon the listing of its shares on the Growth Enterprise Market of the Stock Exchange on 7 December 2000.

9. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2002	2001
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration (note 10))		
Wages and salaries	39,904	28,402
Pension contributions	1,721	1,462
Less: Forfeited contributions	(2,182)	(153)
Net pension contributions*	(461)	1,309
	39,443	29,711
Auditors' remuneration	4,880	3,280
Depreciation	10,842	13,127
Loss on disposal of fixed assets	2,366	274
Provision for properties held for resale	–	1,501
Minimum lease payments under operating leases on land and buildings	2,834	5,713
Exchange losses, net	2,014	1,145
Net rental income	(9,510)	(10,121)
Interest income	(38,893)	(155,776)

* There were no forfeited contributions available at the balance sheet date to reduce contributions to the pension scheme in future years (2001: Nil).

In arriving at the Group's profit/(loss) from operating activities, forward hedging gains of HK$232,986,000 (2001: Nil) was included in consolidated cost of sales for the year.

10. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

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

	Group	
	2002	**2001**
	HK$'000	*HK$'000*
Fees:		
Executive	–	–
Non-executive	–	–
Independent non-executive	234	600
	234	600
Salaries, bonuses and other emoluments – executive	14,889	4,901
Pension scheme contributions	219	90
	15,342	5,591

There were no other emoluments payable to the independent non-executive directors during the year (2001: Nil).

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

	Number of directors	
	2002	**2001**
Nil to HK$1,000,000	8	9
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	2	–
HK$4,500,001 to HK$5,000,000	2	–
	12	10

Pursuant to waiver agreements dated 30 April 2002 entering into by certain directors of the Company, a total remuneration of HK$15,174,000 was waived during the year.

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

During the year, 42,000,000 share options were granted to directors in respect of their services to the Group and these options were exercised in full by the directors, further details of which are set out under the heading "Share option scheme" in the Report of the Directors. No value in respect of the share options granted during the year has been charged to the profit and loss account or included in the remuneration disclosed above.

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

Five highest paid employees

Four (2001: three) executive directors were among the five highest paid individuals in the Group during the year, and details of their remuneration are disclosed above.

Details of the remuneration of the remaining one (2001: two) non-director, highest paid employees are as follows:

	2002 *HK$'000*	**2001** *HK$'000*
Salaries, allowances and benefits in kind	1,600	2,573
Pension scheme contributions	80	108
	1,680	2,681

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

	Number of employees	
	2002	**2001**
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	1	–
	1	2

In the prior year, 5,000,000 share options in the Company were granted to one of these non-director, highest paid employees in respect of her services to the Group. No value is included in the above remuneration in respect of share options granted during the prior year or has been charged to the profit and loss account for the prior year.

11. FINANCE COSTS

	2002	2001
	HK$'000	*HK$'000*
Repayable within five years:		
Interest on bank borrowings and overdrafts	18,725	25,755
Interest on other borrowings	13,110	12,719
Interest on convertible notes and bonds	12,280	9,829
Provision for premium on convertible notes redemption	–	9,567
	44,115	57,870
Repayable beyond five years:		
Interest on bank borrowings	–	624
	44,115	58,494
Finance charges	10,735	14,843
	54,850	73,337

12. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current year provisions:		
Hong Kong	29,418	7,720
Elsewhere	1,322	994
	30,740	8,714
Prior year underprovisions:		
Hong Kong	16,340	2,766
Share of tax attributable to associates	–	5
Tax charge for the year	47,080	11,485

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

The revaluation of the Group's investment properties in Hong Kong does not constitute any significant timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 30 April 2002 dealt with in the financial statements of the Company is HK$994,913,000 (2001: HK$238,115,000).

14. DIVIDEND

	2002	2001
	HK$'000	*HK$'000*
Preference shares, paid, of Nil (2001: HK$0.05) per share	–	1,270

15. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$1,042,351,000 (2001: net profit of HK$12,818,000) less preference share dividend of Nil (2001: HK$1,270,000), and on the weighted average number of 3,606,811,513 (2001: 1,329,626,198) ordinary shares in issue during the year.

A diluted loss per share amount for the year ended 30 April 2002 has not been disclosed because the share options, convertible notes, convertible bonds and redeemable convertible preference shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 30 April 2001 was based on the net profit attributable to shareholders of HK$12,818,000 less preference share dividend of HK$1,270,000 and the weighted average number of 1,329,626,198 ordinary shares in issue during the year plus 86,507,275 ordinary shares deemed to be issued if the share options had been exercised. The calculation did not take into account the ordinary shares deemed to be issued if the convertible notes had been converted as the effect is anti-dilutive.

As set out in note 42(ad) to the financial statements, subsequent to the balance sheet date, every ten issued and unissued existing ordinary shares of the Company were consolidated into one consolidated share (the "Share Consolidation"). Taking into account of the Share Consolidation, the basic earnings/(loss) per share is calculated based on the net loss from ordinary activities attributable to shareholders of HK$1,042,351,000 (2001: net profit of HK$12,818,000) less preference share dividend of Nil (2001: HK$1,270,000) and on the adjusted weighted average number of 360,681,151 (2001: 132,962,620) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 30 April 2001 as adjusted for the Share Consolidation was based on the net profit attributable to shareholders of HK$12,818,000 less preference share dividend of HK$1,270,000 and the adjusted weighted average number of 132,962,619 ordinary shares in issue during the year plus adjusted number of 8,650,727 ordinary shares deemed to be issued if the share options had been exercised. The calculation did not take into account the ordinary shares deemed to be issued if the convertible notes had been converted as the effect is anti-dilutive.

16. FIXED ASSETS

Group

	Investment properties HK$'000	Land and buildings HK$'000	Freehold shoplots HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:								
At beginning of year	192,884	35,338	8,809	53,654	15,358	14,077	2,158	322,278
Additions	–	–	–	47	90	35	40	212
Disposals	–	–	–	(7,538)	(3,692)	–	(41)	(11,271)
Reclassifications	(28,832)	28,832	–	–	–	–	–	–
Deficit on revaluation of investment properties	(56,859)	–	–	–	–	–	–	(56,859)
At 30 April 2002	107,193	64,170	8,809	46,163	11,756	14,112	2,157	254,360
Accumulated depreciation and impairment:								
At beginning of year	–	3,982	1,125	28,457	8,804	7,557	1,953	51,878
Provided during the year	–	1,313	185	6,369	1,189	1,603	183	10,842
Impairment during the year recognised in the profit and loss account	–	6,969	–	6,066	272	192	–	13,499
Disposals	–	–	–	(3,917)	(2,256)	–	(23)	(6,196)
At 30 April 2002	–	12,264	1,310	36,975	8,009	9,352	2,113	70,023
Net book value:								
At 30 April 2002	107,193	51,906	7,499	9,188	3,747	4,760	44	184,337
At 30 April 2001	192,884	31,356	7,684	25,197	6,554	6,520	205	270,400

16. FIXED ASSETS *(Continued)*

The analysis of the cost or valuation at 30 April 2002 of the Group's properties is as follows:

	Investment properties	Land and buildings	Freehold shoplots	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At cost	–	64,170	8,809	72,979
At 2002 valuation	107,193	–	–	107,193
	107,193	64,170	8,809	180,172

The net book value of the Group's interests in investment properties, land and buildings and shoplots are held under the following lease terms:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Long term leases:		
Hong Kong	98,299	110,240
Medium term leases:		
Hong Kong	16,000	20,000
Outside Hong Kong	44,800	94,000
Freehold:		
Outside Hong Kong	7,499	7,684
	166,598	231,924

The investment properties located in Hong Kong were revalued by Chesterton Petty Limited, independent professionally qualified valuers, at HK$62,393,000, on an open market, existing use basis at 30 April 2002.

For the year ended 30 April 2002, a revaluation deficit of investment properties located outside Hong Kong of HK$49,200,000 was charged to the consolidated profit and loss account as the Group disposed of its investment properties (the "Disposed Properties") to an independent third party at a consideration of HK$44,800,000 shortly subsequent to the balance sheet date on 6 June 2002, further details of which are set out in note 42(f) to the financial statements. In the opinion of the directors, the disposal value of the Disposed Properties would not have been significantly different from the open market value thereof as at 30 April 2002 had a professional valuation been performed. Further particulars of the Group's principal properties are set out on page 100.

As at 30 April 2002, all of the above investment properties, land and buildings and shoplots with an aggregate net book value of HK$166,598,000 (2001: HK$231,924,000) were pledged to banks and non-financial institutions to secure certain facilities granted to the Group (note 30).

16. FIXED ASSETS *(Continued)*

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost:				
At beginning of year	130	1,967	–	2,097
Additions	–	15	39	54
Disposals	–	(766)	–	(766)
At 30 April 2002	130	1,216	39	1,385
Accumulated depreciation:				
At beginning of year	80	984	–	1,064
Provided during the year	19	296	5	320
Disposals	–	(514)	–	(514)
At 30 April 2002	99	766	5	870
Net book value:				
At 30 April 2002	31	450	34	515
At 30 April 2001	50	983	–	1,033

17. INTERESTS IN SUBSIDIARIES

	Company 2002 *HK$'000*	Company 2001 *HK$'000*
Unlisted shares, at cost	171,631	171,631
Due from subsidiaries	1,956,985	2,224,139
Due to subsidiaries	(468,101)	(1,084,487)
	1,660,515	1,311,283
Less: Provisions for impairment	(875,549)	(60,326)
	784,966	1,250,957

As at the balance sheet date, the Company's entire interest in RNA Gold Bullion Fund, a subsidiary incorporated in the Cayman Islands, has been pledged as security for banking facilities granted to and drawn down by the Group (note 30).

The above interests in subsidiaries also include those attributable to Trasy. As at the balance sheet date, the Company's entire interest in Trasy shares was pledged as security for certain other Group borrowings.

17. INTERESTS IN SUBSIDIARIES *(Continued)*

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

During the year, the following change in the Group's shareholding in a subsidiary occurred:

The issued and paid-up capital of M.A.H.F. Precious Metal Refinery Sdn. Bhd. ("M.A.H.F.") was increased from RM2,600,002 to RM12,342,980 by way of the allotment of 9,742,978 new ordinary shares of RM1.00 each. Its immediate holding company, Polkadot Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands subscribed for a total of 8,768,680 new ordinary shares by way of the capitalisation of the amount advanced to M.A.H.F.. The remaining balance of 974,298 new ordinary shares was contributed by the minority shareholders. Following the capital contribution, the indirect shareholding in M.A.H.F. held by the Group was increased from 56% to 82.8%.

Particulars of the Company's principal subsidiaries at 30 April 2002 are set out in note 43 to the financial statements.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	2,164	2,164
Share of net assets	–	–	–	–
Due from jointly-controlled entities	114,368	100,883	119,943	119,943
	114,368	100,883	122,107	122,107
Provision against interest in a jointly-controlled entity	(100,883)	(100,883)	(122,107)	(122,107)
	13,485	–	–	–

The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

The amount of negative goodwill remaining in reserves, arising on acquisition of a jointly-controlled entity, was HK$10,740,000 as at 1 May 2001 and 30 April 2002, as set out in note 37 to the financial statements.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of jointly-controlled entities at 30 April 2002 are as follows:

Company name	Business structure	Place of incorporation/ registration operations	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Peakhurst Limited# ("Peakhurst")	Corporate	British Virgin Islands	51.47	51.47	51.47	Investment holding
Diamond Link Holdings Limited ("DLHL")*	Corporate	Hong Kong	40	40	40	Retailing of diamond and jewellery

\# Included in the prior year consolidated profit and loss account was a provision of HK$41,928,000 made against Peakhurst. Subsequent to the balance sheet date on 2 March 2003, the Company disposed of its entire interest in Peakhurst to the remaining shareholder of Peakhurst at a consideration of HK$1. The disposal will result in a gain on disposal of HK$10,740,000 which represents the release of negative goodwill to the profit and loss account.

* Subsequent to the balance sheet date, on 3 December 2002, all joint venture partners of DLHL agreed to terminate the joint venture agreement dated 20 December 2001 and agreed to settle the outstanding shareholders' loan advanced to DLHL. After the termination of the joint venture agreement, the Group acquired an addition 40% equity interest in DLHL from the other joint venture partner. DLHL thereafter ceased to be a jointly-controlled entity and became a subsidiary of the Group.

19. INTERESTS IN ASSOCIATES

	Group		Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	–	–
Share of net assets, other than goodwill	5,767	6,781	–	–
Unamortised goodwill	1,423,266	1,498,176	–	–
	1,429,033	1,504,957	–	–
Due from associates	14,882	14,635	16,560	23,494
	1,443,915	1,519,592	16,560	23,494
Provision for impairment	(700,000)	–	(8,859)	(8,859)
	743,915	1,519,592	7,701	14,635

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

19. INTERESTS IN ASSOCIATES *(Continued)*

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 interests in the Existing Jewellery Retail Network. Under these contractual arrangements, the Group, through the Investment Vehicles, renders management services and technical support to gold and jewellery retail outlets in Mainland China. The Investment Vehicles are entitled to share in the revenues generated by these retail outlets operating in Mainland China from the 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 grants to retail shops operating in Mainland China the rights to use the Group's registered trade-names in their retail sale of gold ornaments and jewellery merchandise. Dividend revenue of HK$94,887,000 was received by the Group for the year ended 30 April 2002. Up to the date of approval of these financial statements, approximately HK$78 million dividend revenue was further received by the Group from the Existing Jewellery Retail Network in respect of the year ended 30 April 2003.

The Investment Vehicles had no material transactions from their date of acquisition to 30 April 2002, except for the issue and allotment of share capital and capital expenditure incurred for renovating the retail outlets and the inception of the above referred contractual undertakings. Accordingly, the Group's interests in these Investment Vehicles are principally reflected as goodwill arising on acquisition as set out above.

In accordance with the Group's accounting policies, goodwill arising on acquisition is amortised on the straight-line basis over the contracted operational period of 20 years and a total of HK$74,909,000 of amortisation on the goodwill arising on acquisition was charged to the consolidated profit and loss account in the current year.

Subsequent to the balance sheet date, on 26 June 2002, the Company entered into a co-operative agreement with NICHCB in Mainland China for the formation of a strategic alliance aiming at setting up an additional 100 gold and jewellery chain stores in Mainland China with NICHCB (the "New Jewellery Retail Network"). With the introduction of the New Jewellery Retail Network, the Directors considered that the Group's reliance on the Existing Jewellery Retail Network will be less significant in the long term. This is because NICHCB consists of 51 member units which are concentrated mainly in the eastern part of Mainland China. Out of these 51 member units, seven member units are listed on the stock markets in Mainland China. The principal activities of NICHCB are the operation of a chain of department stores and supermarkets, which the directors consider could facilitate the Group in establishing a strong presence in Mainland China through having a co-operative agreement with NICHCB. Up to the date of approval of these financial statements, the Group, NICHCB and certain of its business partners have jointly developed via a Chinese-foreign joint venture company incorporated in Mainland China two department stores located in Chongqing, Mainland China. These department stores have total floor area of approximately 32,000 square metres for the sale of merchandise including gold and jewellery ornaments. One of the department stores commenced business in early May 2003 and the other is scheduled to commence business in July 2003.

19. INTERESTS IN ASSOCIATES *(Continued)*

Although the Existing Jewellery Retail Network is expected to continue to provide a positive contribution in the near future, the directors consider that the Group will focus more on developing the strategic alliance with NICHCB and then the Existing Jewellery Retail Network might be affected in the long term. On 16 September 2002, the directors requested an independent professionally qualified valuer to perform a business valuation of the Existing Jewellery Retail Network after taking into account the introduction of the New Jewellery Retail Network. Based on the valuation performed by the independent professionally qualified valuer, the carrying value of the Existing Retail Network as at 30 April 2002 was written down to HK$723,266,000, resulting from the change in the Group's strategic plan by diverting its human and financial resources to and repositioning its focus on the New Jewellery Retail Network. An impairment loss provision of HK$700,000,000 was recorded as a consequence thereof. In the opinion of the directors, this impairment loss has arisen from the Group refocusing on the New Jewellery Retail Network and the continuous expansion by various prestigious jewellery retailers in the gold and jewellery market in Mainland China. As a consequence, the directors are of the view that such impairment loss should be reflected in the consolidated profit and loss account in the current year.

Further details of the principal associates as at 30 April 2002, which materially affected the Group's results or assets, are set out in note 44 to the financial statements.

20. LONG TERM INVESTMENTS

	Group		Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted investments, cost	117,810#	7,686	117,810#	–
Provision for impairment	(116,445)	(7,686)	(116,445)	–
	1,365	–	1,365	–

\# The unlisted investments for the current year were not stated at fair value at the date of acquisition (as explained in second paragraph below).

The long term investments in the current year represent 400,000,000 'A' convertible redeemable preference shares of HK$0.25 each and 284,000,000 'B' convertible redeemable preference shares of HK$0.25 each in Can Do Holdings Limited ("Can Do") (collectively referred to as the "Can Do Preference Shares"), which is a company listed on the main board of the Stock Exchange. Can Do Preference Shares were acquired from the Cheung Kong Companies on 18 September 2001 and 16 November 2001, respectively, pursuant to share subscription agreements entered into between the Company, TFHF, Can Do and the Cheung Kong Companies on 17 April 2001. The consideration for the Can Do Preference Shares, amounting to HK$171,000,000, was satisfied by the issuance of 69,900,000 and 322,000,000 of the Company's ordinary shares at subscription prices of HK$0.2418 and HK$0.10 each, respectively and 10,819,583 and 67,800,000 convertible redeemable preference shares at subscription prices of HK$5.00 each and HK$1.00 each, respectively (Note 36). The carrying amount of the Can Do Preference Shares were not stated at their fair values, but recorded based on the nominal value of the ordinary shares and preference shares issued by the Company on the respective dates of acquisition.

The directors consider that the fair value of the unlisted investments should be determined by reference to the par value of the ordinary shares and the number of ordinary shares issued by the Company in exchange of the unlisted investments plus the number of ordinary shares that could be converted from the convertible redeemable preference shares issued by the Company in exchange of the unlisted investments. Under the provision of Hong Kong Statement of Standard Accounting Practice 2.124 "Accounting for investment in securities", long term investments should be initially recorded at their fair value which should be determined based on the market price of the shares of the Company issued at the date of exchange.

Pursuant to terms and conditions of the Can Do Preference Shares as stipulated in the share subscription agreements, they are (i) convertible into ordinary shares by three tranches in three consecutive years commencing from the 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; or (ii) redeemable by the Company at any time subsequent to 50 years after the date of issue at a redemption value of HK$1.00 per Can Do Preference Share; or (iii) Can Do may repurchase Can Do Preference Shares from the Company at any time subsequent to 30 days from the date of issues if the average closing price of Can Do's ordinary share for 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given not less than 150% of the conversion price in effect. No Can Do Preference Shares were converted or redeemed by the Company up to the date of approval of these financial statements. Further details of Can Do Preference Shares are included in the Company's circular to its shareholders on 9 June 2001.

20. LONG TERM INVESTMENTS *(Continued)*

Owing to the continuous drop in market price for Can Do shares, in the opinion of the directors, the carrying value of Can Do Preference Shares has been impaired. Subsequent to the balance sheet date, on 3 April 2003, the Group disposed of its long term investments to an independent third party at a consideration of approximately HK$1,365,000, further details of which are set out in note 42(ai) to the financial statements. As a result of the disposal, a provision for impairment of long term investments of HK$116,445,000 was charged to the consolidated profit and loss account for the current year.

21. LONG TERM RECEIVABLES

Long term receivables represent receivables arising from sales of gold bullion and gold bullion advances to a number of overseas incorporated companies during the year. The receivables are unsecured, repayable within three months from the invoiced date and bear interest at prime rate in the event of any default in settlement or repayment while the Group serves notice for repayment. Subsequent to the balance sheet date, the Group continued to sell gold bullion to these parties amounting to HK$686 million. Between 30 April 2002 to 31 March 2003, the total outstanding amounts due to the Group were increased from approximately HK$312 million to HK$998 million.

On 11 March 2003, the Group entered into a co-operative agreement with one of these debtors having an outstanding amount with the Group of approximately HK$80 million (the "Agent") (the "COP Agreement"). Pursuant to the terms of COP Agreement, both parties agreed to jointly develop a gold mine situated on two parcels of land located at Hami Shi, Xinjiang, Mainland China, having a total site area of 7.64 square kilometers (the "Xinjiang Gold Mine"). Pursuant to the terms of the COP Agreement, the Group will contribute initial funding of approximately HK$30 million to be collected by the Agent from these receivables to fund the initial set up costs of the Xinjiang Gold Mines (which includes expenditure incurred for exploration fees and the mining processes in the future). The Agent, in turn, agreed to provide to the Group the Xinjiang Gold Mine exploration rights and land use rights under the COP Agreement. Concerning the remaining receivables balance of HK$968 million, the Agent agreed to collect money from these receivables of HK$130 million per annum on behalf of the Group within nine consecutive years and to assign all future benefits to be generated from gold exploited from Xinjiang Gold Mine to the Group until the total outstanding receivables have been fully settled. For the purposes of accounting for the cash collected by the Agent and its allocation to the Group and the Agent, under the COP Agreement, all the outstanding receivables will bear notional interest at a rate of 3% per annum. On the other hand, of the money to be collected by the Agent, the Agent will be entitled to retain 5% of any collected amounts as commission.

At the date of signing the COP Agreement, the Agent had an outstanding amount with the Group of approximately HK$80 million. In this connection, the Agent agreed to have the Group acting as a custodian of the exploration right and land use rights in Xinjiang Gold Mine.

The Group and the Agent will each share a 50% of any benefits to be generated from Xinjiang Gold Mine only after the whole amount due to the Group has been fully settled. The Group is also entitled to have a priority right to purchase gold bullion from Xinjiang Gold Mine at a price of 10% below the prevailing market price of gold bullion.

21. LONG TERM RECEIVABLES *(Continued)*

In the opinion of the directors of the Company, the entire outstanding amount should be classified as long term receivables. Subsequent to the balance sheet date, prior to entering into the COP Agreement, a gold explorer (the "Explorer") in Mainland China and an independent professionally qualified valuer (the "Valuer") were engaged by the Group to estimate the underground gold reserves and perform a business valuation on Xinjiang Gold Mine. Having regard to the preliminary business valuation performed by the Valuer based on the discounted future cash flows to be generated from Xinjiang Gold Mine, the estimated valuation of Xinjiang Gold Mine amounted to RMB1,067 million (which is equivalent to approximately HK$998 million). The directors of the Company are of the view that, commercially, this arrangement is in the best interests of the Group and its shareholders because it provides an additional means of collecting the receivables which may now be recovered either by means of cash to be collected by the Agent, or gold to be exploited from Xinjiang Gold Mine. Prior to the date of approval of these financial statements, the Group obtained custody of the exploration rights and the land use rights of Xinjiang Gold Mine via a wholly-owned subsidiary incorporated in Mainland China, but the gold mining processes for Xinjiang Gold Mine have yet to commence and no money has yet been collected by the Agent on behalf of the Group.

22. OTHER ASSETS

	Group	
	2002	**2001**
	HK$'000	*HK$'000*
Membership licences, at cost	1,491	1,491

The membership licences represent the costs of acquiring two Bullion Group Memberships and three Ordinary Memberships in The Chinese Gold and Silver Exchange Society.

23. MONEY LOAN AND ACCOUNTS RECEIVABLE

	Group	
	2002	**2001**
	HK$'000	*HK$'000*
Money loan receivables	59,005	72,503
Accounts receivable	280,379	50,309
	339,384	122,812
Provision for doubtful debts	(109,734)	(32,416)
	229,650	90,396

Money loan receivables represent receivables arising from the money loan lending business of the Group. They are unsecured term loans which bear interest at rates ranging from 10% to 12% (2001: 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 lending operations.

23. MONEY LOAN AND ACCOUNTS RECEIVABLE *(Continued)*

An aging analysis of the Group's money loan receivables is set out as follows:

	Group	
	2002	**2001**
	HK$'000	*HK$'000*
Repayable on demand	12,301	27,173
Within one year	44,559	45,330
Over one year	2,145	–
	59,005	72,503
Provision for doubtful debts	(14,903)	(12,796)
	44,102	59,707

The Group has a defined credit policy for accounts receivable and generally grants a credit allowance of one to three months. An aging analysis of accounts receivable as at 30 April 2002 is as follows:

	Group	
	2002	**2001**
	HK$'000	*HK$'000*
Within three months	127,943	34,238
Over three months	152,436	16,071
	280,379	50,309
Provision for doubtful debts	(94,831)	(19,620)
	185,548	30,689

24. DUE FROM BULLION BROKERAGE CUSTOMERS

The amounts due from bullion brokerage customers are either secured by the underlying margin deposit or are unsecured. They are repayable on demand and bear interest at commercial terms.

25. INVENTORIES – OTHER THAN GOLD BULLION

	Group	
	2002	**2001**
	HK$'000	*HK$'000*
Jewellery and gold ornaments	83,644	110,886
Sundry gold	20	6,858
Other precious metals	108	1,122
	83,772	118,866

At 30 April 2002, inventories of HK$76,313,000 (2001: HK$76,313,000) and Nil (2001: HK$6,242,000) were pledged as security for the Group's promissory notes (note 33) and the Group's bank borrowings, respectively.

At 30 April 2002, inventory items carried at their net realisable value and included in the aggregate balance of inventories amounted to Nil (2001: HK$1,838,000).

26. GOLD BULLION

At 30 April 2002, there was no gold bullion pledged as security for the Group's bank borrowings (2001: Nil).

Subsequent to the balance sheet date, certain gold bullion held by Trasy of HK$46,370,000 will be used to offset the purchase consideration of a gold mine to be acquired by Trasy, details of which are set out in note 42(aj) to the financial statements.

27. TIME DEPOSITS, PLEDGED

At 30 April 2002, certain bank facilities granted by non-financial institutions to the Group were secured by fixed deposits held by the Group.

28. ACCOUNTS PAYABLE

An aged analysis of accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2002	**2001**
	HK$'000	*HK$'000*
Within three months	294,553	339,961
Over three months	20,093	8,513
	314,646	348,474

29. DUE TO BULLION BROKERAGE CUSTOMERS

Amounts due to bullion brokerage customers arise from the ordinary course of business of brokerage financing of gold bullion trading, and are repayable on demand. No aged analysis is disclosed as in the opinion of the directors, an aged analysis does not give additional value in view of the business of bullion brokerage financing.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts, secured	10,763	22,711	4,155	4,108
Bank loans:				
Secured	131,160	191,288	86,707	80,966
Unsecured	85,160	51,487	–	–
	216,320	242,775	86,707	80,966
Other borrowings:				
Secured	46,155	13,199	13,500	10,441
Unsecured	–	22,250	–	22,250
	46,155	35,449	13,500	32,691
Total bank and other borrowings	273,238	300,935	104,362	117,765
Portion classified as current liabilities	(262,224)	(228,924)	(93,348)	(73,485)
Long term portion	11,014	72,011	11,014	44,280

Bank borrowings

	Group		Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The bank borrowings are repayable:				
Within one year	216,069	193,475	79,848	40,794
In the second year	1,517	45,068	1,517	32,931
In the third to fifth years, inclusive	9,497	21,961	9,497	6,474
Beyond five years	–	4,982	–	4,875
	227,083	265,486	90,862	85,074

The bank overdrafts and loans are secured by investment properties, land and buildings and shoplots of the Group (note 16), and the Company's entire interests in RNA Gold Bullion Fund (note 17).

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

Other borrowings

	Group		Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other borrowings are repayable:				
Within one year *(Note)*	46,155	35,449	13,500	32,691

Note: The other borrowings in the current year are due to non-financial institutions and bear interest at rates ranging from 1% to 2% (2001: 1% to 3%) per month. Amongst these borrowings, amounts totalling (i) HK$15,755,000 (2001: 13,199,000) is secured by certain cash deposits and fixed assets held by the Group, and (ii) HK$30,400,000 (2001: Nil) is secured by Trasy shares.

31. CONVERTIBLE NOTES

	Group and Company	
	2002	**2001**
	HK$'000	*HK$'000*
Convertible notes	129,172	163,401

On 28 April 1998, the Company issued US$30,000,000 (approximately HK$232 million) convertible notes (the "Notes") in nominal denominations of US$50,000 each. The maturity date of the Notes is 28 April 2003 and they bear interest at a rate of 5% per annum payable semi-annually. The Noteholders had an option (the "Put Option") to require the Company to redeem all or some of the Notes on 28 April 2001 at a premium on the principal amount of the Notes. The Put Option lapsed on that date.

The holders of the Notes (the "Noteholders") have the right to convert each Note into ordinary shares of the Company at any time between 29 April 1998 and 28 April 2003 at a conversion price of HK$1.27 per ordinary share (subject to adjustment). Of the Notes issued, an amount of US$3,850,000 (equivalent to approximately HK$29 million) was converted into ordinary shares of the Company and an amount of US$5,000,000 (equivalent to HK$39,000,000) was repurchased by the Group from the Cheung Kong Companies on 9 March 2001 through the issuance of two promissory notes with approximate equivalent denominations to the Cheung Kong Companies, further details of which are set out in note 33 to the financial statements.

On 28 April 2001, certain Noteholders exercised their rights to require the Company to redeem 137 Notes of US$50,000 (equivalent to US$6,850,000 or approximately HK$53 million) at a premium of 18% on the principal amount of the Notes, of which the Company has repaid a total of US$4,590,000, plus interest thereon (approximately HK$35 million) to the Noteholders for the portion of Notes being redeemed by the Company in the prior year. A provision for the premium arising on the convertible notes redemption of HK$9,567,000 was charged to the consolidated profit and loss account in the prior year. As at 30 April 2002 and up to the approval date of these financial statements, US$2,260,000 (approximately HK$18 million) remains unsettled. Except as mentioned above, there was no conversion of the Notes into ordinary shares of the Company made by the Noteholders either during the year, or subsequent thereto. As at 30 April 2002, the outstanding notes included a principal sum of US$14,300,000 (approximately HK$112 million) which fell due on 28 April 2003 and unsettled convertible notes of US$2,260,000 (approximately HK$18 million) which the Noteholders required the Company to redeem on 28 April 2001.

Pursuant to the completion of the subscription of 69,900,000 new ordinary shares and 10,819,583 convertible redeemable preference shares in the Company on 18 September 2001, as further detailed in note 36 to the financial statements, the conversion price of the Notes was adjusted from HK$1.27 per share to HK$0.243 per share.

Subject to giving 60 days' advance notice in writing, the Company has the right to redeem all outstanding Notes, at par, at any time on or after 28 April 1998 and prior to maturity, provided that the daily closing price of ordinary shares of the Company on the Stock Exchange is at least 150% of the conversion price for a period of 20 consecutive trading days and such closing price, when translated into US dollars for each such trading day multiplied by the number of shares per Note, is not less than 110% of the principal amount of the Notes.

31. CONVERTIBLE NOTES *(Continued)*

If, as the result of any change in Hong Kong or Bermuda taxation legislation, it is determined by the Company that it would be required at any time to pay additional costs, the Company has the right to call all, but not part only, of the Notes for redemption on or after 28 April 1998 on giving not less than 30 days' prior notice at 101.25%, declining thereafter annually by 0.25%.

Pursuant to the Notes Agreement, the Company is required to observe certain Note covenants which had not been complied with as at 30 April 2001. During the year, the Company obtained waivers from the compliance with the Note covenants underlying the Notes denomination in the aggregate principal amount of US$14,300,000 (approximately HK$110 million). These waivers for compliance, however, do not extend to the non-compliance with a cross-default clauses underlying the issue of these convertible notes and as triggered by the breach of financial covenant underlying the Group's other borrowings. As a result of the happening of the triggering event, all of the convertible notes have been classified as current liabilities in preparing these financial statements.

32. CONVERTIBLE BONDS

	Group and Company	
	2002	**2001**
	HK$'000	*HK$'000*
2% coupon convertible bonds due on 6 January 2005	81,900	–
Zero coupon convertible bonds due on 17 April 2005	3,000	–
	84,900	–

Movements in convertible bonds during the year were as follows:

	Notes	*HK$'000*
Issue of 2% convertible bonds due in January 2005 ("2% Convertible Bonds")	*(a)*	116,780
Issue of zero coupon convertible bonds due in February 2005 ("February 2005 Convertible Bonds")	*(b)*	40,000
Issue of zero coupon convertible bonds due in April 2005 ("April 2005 Convertible Bonds")	*(c)*	81,420
Total convertible bonds issued		238,200
Conversion of 2% Convertible Bonds	*(a)*	(34,880)
Conversion of February 2005 Convertible Bonds	*(b)*	(40,000)
Conversion of April 2005 Convertible Bonds	*(c)*	(78,420)
Total convertible bonds converted into ordinary shares		(153,300)
Total convertible bonds outstanding as at 30 April 2002		84,900

32. CONVERTIBLE BONDS *(Continued)*

(a) On 7 January 2002, the Company completed the issue of convertible bonds in the aggregate principal denomination of HK$116,780,000 to several independent investors. These convertible bonds were issued at their nominal value, are due for repayment and could be called for redemption at any time up to 3 years subsequent to their date of issuance and bear interest at a rate of 2% per annum. The bonds were redeemable and 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 a 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 15 December 2001. The consideration for the issue of these convertible bonds was satisfied by the novation of certain promissory note liabilities of the equivalent aggregate amount of HK$116,780,000 incurred by the Group during the period from 26 September 2001 to 1 November 2001, the proceeds of which had been utilised as to HK$45 million in reducing the Group's indebtedness and as to HK$72 million in the provision of additional working capital for the Group's operations.

During the year, certain holders of the convertible bonds served notices to the Company requiring the conversion of bond principal in the total amount of HK$34,880,000 into new ordinary shares in the Company at the conversion price of HK$0.10 each. As a result, a total of 348,800,000 new ordinary shares of HK$0.10 each of the Company were issued and allotted, at par, upon the full conversion of these convertible bonds.

Subsequent to the balance sheet date, certain holders of these convertible bonds served notices to the Company to convert a total amount of HK$28,000,000 into new ordinary shares in the Company at a conversion price of HK$0.10 each. As a result, a total of 280,000,000 new ordinary shares of HK$0.10 each of the Company were issued and allotted, at par, upon the full conversion of these convertible bonds. As at the date of approval of these financial statements, certain holders of these convertible bonds with a principal amount of HK$21,970,000 plus outstanding interest of HK$1,243,000 had entered into subscription agreements to subscribe for 398,996,700 new ordinary shares in the Company at HK$0.02 each (after the Capital Reorganisation becoming effective) and zero coupon rate convertible bonds of HK$15,233,000. The remaining holders of these convertible bonds of HK$31,930,000 have declined to participate in the Debt Restructuring proposed by the Company.

(b) On 7 February 2002, the Company completed the issue of convertible bonds in the aggregate principal denomination of HK$40,000,000 to several independent investors. These convertible bonds were issued with a zero coupon and could be called for redemption at any time up to 3 years subsequent to their date of issuance. The bonds, together with a redemption premium ranging from nil to 100 percent of the outstanding bond principal amount, depending on the number of months lapsed since the issuance of the convertible bonds, were redeemable and convertible during the period from their date of issue to their date of maturity at an initial conversion price of HK$0.10 each 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 29 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.

32. CONVERTIBLE BONDS *(Continued)*

During the year, the bond holders served notices to the Company requiring the full conversion of the whole convertible bonds at the conversion price of HK$0.10 each with a 100 per cent redemption premium on the principal amount into 800,000,000 new ordinary shares in the Company. As a result, a total of 800,000,000 new ordinary shares of HK$0.10 each of the Company were issued and allotted.

(c) On 17 April 2002, the Company completed the issue of convertible bonds in the aggregate principal denomination of HK$81,420,000 to several independent investors. These convertible bonds were issued with a zero coupon and could be called for redemption at any time up to 3 years subsequent to their date of issuance. The bonds, together with a redemption premium ranging from nil to 100 percent of the outstanding bond principal amount, depending on the number of months lapsed since the issuance of the convertible bonds, were redeemable and convertible during the period from their date of issue to their date of maturity at an initial conversion price of HK$0.10 each 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 18 March 2002. The proceeds from the issue of the convertible bonds was utilised to reduce the Group's existing indebtedness.

During the year, certain holders of these convertible bonds served notices to the Company requiring the conversion of bond principal in the total amount of HK$78,420,000 with a redemption premium of 100 percent on the principal amount at the conversion price of HK$0.10 each into new ordinary shares. As a result, a total of 1,568,400,000 new ordinary shares of HK$0.10 each of the Company were issued and allotted at par upon the full conversion of these convertible bonds.

As at the date of approval of these financial statements, the remaining holders of these convertible bonds with a principal amount of HK$3 million had also served notice to the Company to convert the whole amount into 60,000,000 new ordinary shares of HK$0.10 each of the Company and the new ordinary shares were subsequently issued and allotted at par.

33. PROMISSORY NOTES

In the prior year, Commodity Online Limited ("COL"), a wholly-owned subsidiary of the Group, issued two promissory notes (the "Promissory Notes") with an aggregate principal amount of US$3,054,583 (equivalent to HK$23,320,000) and US$2,036,389 (equivalent to HK$15,680,000) to a Noteholder. The Promissory Notes bear interest at a rate of 5% per annum and were repayable on 28 April 2003. The Promissory Notes are secured by inventories of jewellery and gold ornaments held by the Group with an aggregate carrying amount of HK$76,313,000 (note 25) and 5% convertible notes issued by the Company are held by COL with a total value of US$5,000,000 (equivalent to HK$39,000,000). The Promissory Notes were issued for the repurchase from a Noteholder of US$5,000,000 (note 31) together with the accrued interest thereon.

33. PROMISSORY NOTES *(Continued)*

As triggered by the breach of certain covenants ascribed to the Group's other outstanding borrowings, the Group failed to observe certain cross-default clauses underlying the issue of these Promissory Notes. As a result, the holder of the Promissory Notes may serve notice to the Group to declare the Promissory Notes immediately due and repayable if the clause of non-compliance is not rectified or a waiver is not granted by the Noteholders.

As at the date of approval of these financial statements, the holders of the Promissory Notes had entered into subscription agreement to subscribe for zero coupon rate convertible bonds to be issued by the Company with an equivalent outstanding amount plus the outstanding interests related to the Promissory Notes due by the Company. The principal terms of these convertible bonds to be issued under the Debt Restructuring are set out in note 2 to the financial statements.

34. DUE TO SHAREHOLDERS

The balances due were interest-free, unsecured and were repayable on demand. On 18 September 2001, an amount of HK$30,000,000 out of the total balance was assigned by the shareholders to two independent third parties not connected with the Group. On 20 November 2001, all of these balances (including an unassigned portion of HK$15,000,000) were settled by the capitalisation of the amount involved into 450,000,000 ordinary shares in the Company at a subscription price of HK$0.10 each. The details of capitalisation of these amounts into ordinary shares are set out in note 36 to the financial statements.

35. DUE TO A RELATED COMPANY

The amount due is interest-free, unsecured and has no fixed terms of repayment.

36. SHARE CAPITAL

Share capital

	Ordinary shares of HK$0.10 each		6% convertible redeemable preference shares of HK$1.00 each		Total
	Number of shares	*HK$'000*	*Number of shares*	*HK$'000*	*HK$'000*
Authorised:					
At 1 May 2001	2,000,000,000	200,000	30,000,000	30,000	230,000
Increase in share capital	98,000,000,000	9,800,000	–	–	9,800,000
Conversion of ordinary shares to convertible redeemable preference shares	(700,000,000)	(70,000)	70,000,000	70,000	–
At 30 April 2002	99,300,000,000	9,930,000	100,000,000	100,000	10,030,000
Issued and fully paid:					
At 30 April 2001	1,510,604,810	151,060	–	–	151,060
New issue of shares by way of placing	1,541,987,558	154,199	–	–	154,199
Issue of consideration share	391,900,000	39,190	78,619,583	78,620	117,810
New issue of shares by way of capitalization of indebtedness	470,000,000	47,000	–	–	47,000
Conversion of convertible bonds	2,717,200,000	271,720	–	–	271,720
Exercise of share options	146,540,000	14,654	–	–	14,654
At 30 April 2002	6,778,232,368	677,823	78,619,583	78,620	756,443

36. SHARE CAPITAL *(Continued)*

During the year, the following changes in the Company's authorised and issued share capital took place:

Authorised share capital

On 26 June 2001, the authorised share capital of the Company was increased from HK$230,000,000 to HK$10,030,000,000 by the creation of 98,000,000,000 new ordinary shares of HK$0.10 each ranking pari passu in all respects with the Company's ordinary shares.

On 12 November 2001, 700,000,000 ordinary shares of HK$0.10 each outstanding in the authorised share capital of HK$0.10 each were converted into 70,000,000 convertible redeemable preference shares of HK$1.00 each in the Company, ranking pari passu in all respects with the Company's then existing convertible redeemable preference shares.

Issued capital

(a) Issue of new shares

Ordinary shares

(i) On 10 May 2001, the Company completed the placement of an aggregate of 140,000,000 new ordinary shares of HK$0.10 each in the Company to independent investors at a subscription price of HK$0.143 per share for a total cash consideration of HK$20.02 million. The subscription proceeds, net of share issue expenses, realised from the share placement of approximately HK$19.5 million were intended for the provision of additional working capital for the Group's operations.

(ii) On 28 June 2001, the Company completed the placement of an aggregate of 620,000,000 new ordinary shares of HK$0.10 each in the Company to independent investors at a subscription price of HK$0.103 per share for a total cash consideration of HK$63.9 million. The subscription proceeds, net of share issue expenses, realised from the share placement of approximately HK$63.2 million were intended for the provision of additional working capital for the Group's operations. Further details of the share placement are included in the Company's circular of 9 June 2001 to its shareholders.

(iii) On 4 July 2001, the Company completed the placement of an aggregate of 263,987,558 new ordinary shares of HK$0.10 each in the Company to a creditor company of the Group at a subscription price of HK$0.103 per share. The subscription consideration of approximately HK$27 million was settled through the offset of the amount involved against indebtedness liability due by the Group to the creditor company of the same balance outstanding as at the balance sheet date. Further details of the share placement are included in the Company's circular of 9 June 2001 to its shareholders.

(iv) On 16 July 2001, the Company completed the placement of an aggregate of 518,000,000 new ordinary shares of HK$0.10 in the Company to independent investors at a subscription price of HK$0.101 per share for a total consideration of HK$52.3 million. The subscription proceeds, net of share issue expenses, realised from the share placement of approximately HK$51.6 million were intended for the provision of additional working capital for the Group's operations.

36. SHARE CAPITAL *(Continued)*

Issued capital *(Continued)*

(a) Issue of new shares (Continued)

Ordinary shares *(Continued)*

(v) Pursuant to the Shares Subscription Agreements entered into with the Cheung Kong Companies on 17 April 2001, the Cheung Kong Companies exercised their rights to require the Company to acquire all 'B' Can Do Preference Shares in consideration of the issue and allotment of new shares in the Company on 26 April 2001. On 18 September 2001, 69,900,000 new ordinary shares of HK$0.10 each in the Company were issued and allotted to the Cheung Kong Companies as part of the consideration for the acquisition. The remaining part for the acquisition was satisfied by the issue of convertible redeemable preference shares issued by the Company as set out under the heading of "Convertible Redeemable Preference Shares" below. Further details of the convertible redeemable preference shares issued by Can Do are contained in the Company's circular of 9 June 2001 to its shareholders.

(vi) On 16 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 in the Company pursuant to the share subscription agreement entered into between Cheung Kong Companies and the Company on 18 September 2001. The total subscription consideration of HK$32,200,000 was used to satisfy the acquisition of 400,000,000 'A' Can Do Preference Shares of HK$0.25 each, as previously allotted to the Cheung Kong Companies and now novated to the Company. The terms of convertible redeemable preference shares issued by the Company are set out under the heading of "Convertible Redeemable Preference Shares" below.

(vii) On 20 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, for the subscription 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 capitalisation of indebtedness outstanding in the Company of HK$45 million and directors' remuneration incurred of HK$2 million.

Convertible Redeemable Preference Shares (the "Preference Shares")

(i) On 18 September 2001, the Company issued 10,819,583 Preference Shares to the Cheung Kong Companies to offset part of the purchase consideration for 'B' Can Do Preference Shares. Pursuant to the terms of Preference Shares, Cheung Kong Companies have the rights to convert any or all of the Preference Shares into 223,730,004 ordinary shares at an initial conversion price of HK$0.2418 per share (subject to adjustment). It may not be redeemable at the option of the holder but they are redeemable at the option of the Company at any time after 50th anniversary of the issue date at a redemption price equivalent to HK$5.00 each being the notional value of the Preference Shares.

36. SHARE CAPITAL *(Continued)*

Issued capital *(Continued)*

(a) Issue of new shares (Continued)

Convertible Redeemable Preference Shares (the "Preference Shares") *(Continued)*

(ii) On 16 November 2001, the Company issued 67,800,000 Preference Shares to the Cheung Kong Companies to offset part of the purchase consideration for 'A' Can Do Preference Shares. Pursuant to the terms of Preference Shares, Cheung Kong Companies have the rights to convert any or all of the Preference Shares into 678,000,000 ordinary shares at an initial conversion price of HK$0.10 per share (subject to adjustment). It may not be redeemable at the option of the holder but they are redeemable at the option of the Company at any time after 50th anniversary of the issue date at a redemption price equivalent to HK$1.00 each being the notional value of the Preference Shares.

No Preference Shares were converted or redeemed during the year and up to the date of approval of these financial statements. Upon full conversion of the Preference Shares into ordinary shares of the Company at the predetermined conversion price set out above, an aggregate of 901,730,004 ordinary shares of the Company would be issued, which represents approximately 13.30% of the Company existing issued share capital of 6,778,232,368 ordinary shares and approximately 11.74% of the Company's enlarged share capital of 7,679,962,372.

(b) Exercise of share options

On 10 May 2001, the Company granted 24,000,000 share options, exercisable at a subscription price of HK$0.1218 per share, to certain directors and employees of the Group for the subscription of new ordinary shares in the Company. All of these share options were exercised on 18 May 2001 and resulted in the issue and allotment of 24,000,000 new ordinary shares in the Company of HK$0.10 each for a total cash consideration of approximately HK$2,923,000.

On 28 May 2001, a total of 34,540,000 share options outstanding in the Company were exercised at a subscription price of HK$0.1218 per share and resulted in the issue and allotment of 34,540,000 ordinary shares of HK$0.10 each in the Company for a total cash consideration of approximately HK$4,207,000.

36. SHARE CAPITAL *(Continued)*

Issued capital *(Continued)*

(b) Exercise of share options (Continued)

On 9 July 2001, the Company granted a further 88,000,000 share options, exercisable at a subscription price of HK$0.10 per share, under the scheme to certain directors and employees of the Group for the subscription of new ordinary shares in the Company. These share options granted were subsequently exercised in full in two tranches of 42,000,000 and 46,000,000 share options, respectively, on 9 July 2001 and 10 July 2001 and resulted in the issue and allotment of 88,000,000 new ordinary shares in the Company of HK$0.10 each for a total cash consideration of approximately HK$8,800,000.

(c) Conversion of convertible bonds

During the year, certain convertible bond holders served notices to the Company for the conversion of bond principal in the total amount of HK$153,300,000 into new ordinary shares in the Company. As a result, a total of 2,717,200,000 new ordinary shares of HK$0.10 each of the Company were issued and allotted at par. Further details of the conversion are set out in note 32 to the financial statements.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share Option Scheme" in Report of the Directors.

Share options expiring on 15 January 2007

At the beginning of the year, there were 33,322,000 outstanding share options granted to certain directors and employees of the Group. The options are exercisable during the period from 16 January 1997 to 15 January 2007 at a subscription price of HK$0.88 per share (subject to adjustment).

None of these share options were exercised or lapsed during the year.

The exercise in full of these share options would, under the existing capital structure of the Company as at the balance sheet date, result in the issue of 33,322,000 additional ordinary shares of HK$0.10 each.

Subsequent to the consolidation of the Company's shares becoming unconditional on 23 January 2003 as set out in note 42(ad) to the financial statements, the total number of shares under option was adjusted from 33,322,000 to 3,332,200 and the exercise price was adjusted from HK$0.88 per existing share to HK$8.80 per adjusted share.

Share options expiring on 21 June 2010

At the beginning of the year, there were 84,540,000 outstanding share options granted to certain directors and employees of the Group. The options are exercisable during the period from 22 June 2000 to 21 June 2010 at a subscription price of HK$0.1218 per share (subject to adjustment).

36. SHARE CAPITAL *(Continued)*

Share options *(Continued)*

Share options expiring on 21 June 2010 (Continued)

A total number of 34,540,000 share options were exercised and none of these share options were lapsed during the year.

The exercise in full of the remaining share options would, under the existing capital structure of the Company as at the balance sheet date, result in the issue of 50,000,000 additional ordinary shares of HK$0.10 each.

Subsequent to the consolidation of the Company's shares becoming unconditional on 23 January 2003 as set out in note 42(ad) to the financial statements, the total member of shares under option was adjusted from 50,000,000 to 5,000,000 and the exercise price was adjusted from HK$0.1218 per existing share to HK$1.218 per adjusted share.

Share options expiring on 9 May 2011

During the year, the Company granted a total of 24,000,000 share options granted to certain employees of the Group. The options are exercisable during the period from 10 May 2001 to 9 May 2011 at a subscription price of HK$0.1218 per share (subject to adjustment).

A total number of 24,000,000 share options were exercised during the year.

The exercise in full of these share options have resulted in the issue of 24,000,000 additional ordinary shares of HK$0.10 each.

Share options expiring on 8 July 2011

During the year, the Company granted a total of 88,000,000 share options granted to certain employees of the Group. The options are exercisable during the period from 10 May 2001 to 9 May 2011 at a subscription price of HK$0.1218 per share (subject to adjustment).

A total number of 88,000,000 share options were exercised during the year.

The exercise in full of these share options have resulted in the issue of 88,000,000 additional ordinary shares of HK$0.10 each.

In order to comply with the amendments to Chapter 17 of the Listing Rules, on 31 December 2001, the Company in a special general meeting terminated the Existing Scheme and adopted a new share option scheme (the "New Scheme").

Upon the termination of the Existing Scheme, no further share options are granted, but the provisions of the Existing Scheme will remain in force and all share options granted prior to such termination shall continue to be valid and exercisable in accordance with the Existing Scheme.

After the adoption of the New Scheme, there were no share options granted to directors and employees of the Group.

37. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Fixed assets revaluation reserve HK$'000	Exchange translation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 May 2000	876,390	12,544	47,022	1,154	(2,901)	(10,081)	924,128
Exchange translation differences	–	–	–	–	121	–	121
Premium on ordinary shares issued upon conversion of 6% convertible redeemable preference shares	112,233	–	–	–	–	–	112,233
Premium on issue of convertible redeemable preference shares converted and cancelled	(101,600)	–	–	–	–	–	(101,600)
Issue of new shares	13,646	–	–	–	–	–	13,646
Share issue expenses	(809)	–	–	–	–	–	(809)
Release upon disposal of fixed assets	–	–	–	(1,154)	–	1,154	–
Profit for the year	–	–	–	–	–	12,818	12,818
Dividend – note 14	–	–	–	–	–	(1,270)	(1,270)
At 30 April 2001 and 1 May 2001	899,860	12,544	47,022	–	(2,780)	2,621	959,267
Exchange translation differences	–	–	–	–	83	–	83
Difference on conversion of convertible bonds into ordinary shares	(118,420)	–	–	–	–	–	(118,420)
Premium on issue of ordinary shares	9,190	–	–	–	–	–	9,190
Premium on exercise of share options	1,276	–	–	–	–	–	1,276
Impairment of goodwill remaining eliminated against retained profits	–	–	–	–	–	57,676	57,676
Share issue expenses	(1,697)	–	–	–	–	–	(1,697)
Loss for the year	–	–	–	–	–	(1,042,351)	(1,042,351)
At 30 April 2002	790,209	12,544	47,022	–	(2,697)	(982,054)	(134,976)
Retained by:							
Company and subsidiaries	790,209	12,544	36,282	–	(630)	(985,348)	(146,943)
Associates	–	–	–	–	(2,067)	16,238	14,171
Jointly-controlled entity	–	–	10,740	–	–	(12,944)	(2,204)
At 30 April 2002	790,209	12,544	47,022	–	(2,697)	(982,054)	(134,976)
Retained by:							
Company and subsidiaries	899,860	12,544	36,282	–	(713)	18,250	966,223
Associates	–	–	–	–	(2,067)	(2,725)	(4,792)
Jointly-controlled entity	–	–	10,740	–	–	(12,904)	(2,164)
At 30 April 2001	899,860	12,544	47,022	–	(2,780)	2,621	959,267

37. RESERVES *(Continued)*

SSAP 30 was adopted during the year as explained in note 3 to the financial statements. The Group has adopted the transitional provision of SSAP 30 which permit goodwill in respect of acquisitions which occurred prior to 1 May 2001 to remain eliminated against consolidated reserves. Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. The amounts of goodwill and negative goodwill remaining in the consolidated reserves of the Group at 30 April 2001 amounted to HK$57,676,000 and HK$47,022,000, respectively, representing goodwill arising on the acquisition of certain subsidiaries for the gold and jewellery ornaments business in Hong Kong and negative goodwill arising on the acquisition of certain subsidiaries holding investment properties and a jointly-controlled entity, Peakhurst. The goodwill and negative goodwill were eliminated against retained profits and capital reserve, respectively, prior to 1 May 2001.

During the year, the prevailing gold and jewellery retail market became more competitive and all the subsidiaries under the gold and jewellery retail division were operating at a loss during the year. In the opinion of the directors, it is highly unlikely that this business will turn around in the near future and thus the carrying amount of goodwill arising from the acquisition of subsidiaries involved in this business was impaired during the year. An impairment loss of goodwill of HK$57,676,000 was charged to the consolidated profit and loss account in the current year.

The amounts of goodwill and negative goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries by the Group and by a jointly-controlled entity prior to 1 May 2001, are as follows:

	Goodwill eliminated against retained profits	Share of negative goodwill of a jointly-controlled entity credited to capital reserve	Negative goodwill credited to capital reserve
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At beginning and at end of year	57,676	10,740	36,282
Accumulated impairment:			
Impairment provided during the year and at end of year	57,676	–	–
Net book value:			
At 30 April 2002	–	10,740	36,282
At 30 April 2001	57,676	10,740	36,282

37. RESERVES *(Continued)*

Company

	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 May 2000	876,390	86,611	16,821	979,822
Premium on ordinary shares issued upon conversion of 6% convertible redeemable preference shares	112,233	–	–	112,233
Premium on issue of convertible redeemable preference shares converted and cancelled	(101,600)	–	–	(101,600)
Issue of new shares	13,646	–	–	13,646
Share issue expenses	(809)	–	–	(809)
Loss for the year	–	–	(238,115)	(238,115)
Dividend – note 14	–	–	(1,270)	(1,270)
At 30 April 2001 and 1 May 2001	899,860	86,611	(222,564)	763,907
Difference on conversion of convertible bonds into ordinary shares	(118,420)	–	–	(118,420)
Premium on issue of ordinary shares	9,190	–	–	9,190
Premium on exercise of share options	1,276	–	–	1,276
Share issue expenses	(1,697)	–	–	(1,697)
Loss for the year	–	–	(994,913)	(994,913)
At 30 April 2002	790,209	86,611	(1,217,477)	(340,657)

The contributed surplus of the Group arose as a result of the Group reorganisation on 8 November 1996 in preparation for the listing of the Company's shares on the Stock Exchange and represents the difference between the nominal value of the shares of the subsidiaries and associates acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the value of the Company's share of the net assets of the subsidiaries and associates acquired, over the nominal value of the Company's shares issued in exchange therefor.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash outflow from operating activities

	2002	2001
	HK$'000	*HK$'000*
Profit/(loss) from operating activities	(258,247)	95,450
Depreciation	10,842	13,127
Deficit/(surplus) on revaluation of investment properties, net	56,859	(3,500)
Loss on disposal of fixed assets	2,366	274
Provision for impairment of goodwill	57,676	–
Provision for impairment of long term investments	116,445	7,686
Provision for an amount due from a jointly-controlled entity	–	41,928
Provision for doubtful debts	80,000	19,083
Provision for properties held for resale	–	1,501
Provision for impairment of fixed assets	13,499	–
Interest income	(38,893)	(155,776)
Gain on deemed partial disposal of a subsidiary	–	(85,170)
Increase in long term receivables	(311,524)	–
Decrease/(increase) in inventories and gold bullion	23,898	(73,740)
Decrease/(increase) in amounts due from bullion brokerage customers	92,593	(28,346)
Increase in money loan and accounts receivables	(219,254)	(175,174)
Decrease/(increase) in other receivables, prepayments and deposits	1,394	(23,602)
Increase/(decrease) in accounts payable, other payables and accrued expenses	(22,124)	161,470
Increase/(decrease) in gold loan payable	(22,355)	13,877
Increase/(decrease) in amounts due to bullion brokerage customers	15,387	(25,462)
Increase/(decrease) in an amount due to a related company	(17,893)	17,893
Decrease in amounts due to associates	–	(7,097)
Decrease/(increase) in amounts due from associates	(247)	6,837
Exchange translation differences	(437)	121
Net cash outflow from operating activities	(420,015)	(198,620)

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

(b) Analysis of changes in financing during the year

	Issued share capital (including share premium account)	Convertible notes, convertible bonds and promissory notes	Minority interests	Bank and other borrowings	Advance from shareholders
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2000	1,024,705	202,401	(272)	122,905	–
Net cash inflow from financing	26,215	–	–	127,960	45,000
Repayment of other borrowings by means of issue and allotment of shares in a subsidiary, credited as fully paid	–	–	–	(79,430)	–
Arising from deemed disposal of a subsidiary	–	–	24,198	–	–
Share of loss for the year	–	–	(2,173)	–	–
At 30 April 2001 and 1 May 2001	1,050,920	202,401	21,753	171,435	45,000
Net cash inflow/(outflow) from financing	177,622	203,971	–	(53,815)	–
Conversion of convertible bonds into ordinary shares	153,300	(153,300)	–	–	–
Capitalisation of indebtedness	47,000	–	–	–	(45,000)
Arising on acquisition of additional interests in subsidiaries	–	–	(1,660)	–	–
Exchange realignment	–	–	(520)	–	–
Issue of convertible redeemable preference shares – note 36	117,810	–	–	–	–
Share of loss for the year	–	–	1,097	–	–
At 30 April 2002	1,546,652	253,072	20,670	117,620	–

(c) Major non-cash transactions

During the year, the Group had in the following major non-cash transactions:

(i) The proceeds from subscription of 470,000,000 ordinary shares in the aggregate amount of HK$47,000,000 was settled by the capitalisation of certain indebtedness in the Company of HK$45,000,000 and directors' remuneration incurred of HK$2,000,000 (note 36).

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

(c) Major non-cash transactions *(Continued)*

(ii) The Group acquired Can Do Preference Shares from the Cheung Kong Companies at a total consideration of HK$117,810,000. The consideration for the acquisition was satisfied by the issuance of ordinary shares and convertible redeemable preference shares which did not contribute any cash flow to the Group. Further details of the acquisition of the Can Do Preference Shares are set out in note 20 to the financial statements.

39. CONTINGENT LIABILITIES

As at 30 April 2002, the Company had contingent liabilities in respect of corporate guarantees of approximately HK$334,883,000 (2001: HK$296,136,000) given to banks in connection with the banking and other trade credit facilities granted to certain subsidiaries, of which HK$202,746,000 (2001: HK$173,800,000) was utilised as at 30 April 2002.

40. OPERATING LEASES ARRANGEMENTS

(a) As lessor

The Group leases its investment properties, certain of its office properties and shoplots under operating lease arrangements with leases negotiated for terms ranging from two to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 30 April 2002, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	2002	**2001**
	HK$'000	*HK$'000*
Within one year	4,818	7,965
In the second to fifth years, inclusive	4,288	7,408
	9,106	15,373

(b) As lessee

The Group leases certain of its office properties and shoplots under operating lease arrangements with leases for properties negotiated for terms ranging from one to three years, and those for shoplots for terms ranging between two and three years.

40. OPERATING LEASES ARRANGEMENTS *(Continued)*

(b) As lessee *(Continued)*

At 30 April 2002, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2002	**2001**	**2002**	**2001**
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)
Within one year	2,542	4,998	–	313
In the second to fifth years, inclusive	144	1,969	–	–
	2,686	6,967	–	313

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating leases receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required.

SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

41. LITIGATION

A claim of HK$10 million has been filed against Hing Fung Goldsmith And Refinery Limited ("HFGR"), a wholly-owned subsidiary of the Company alleging liability in respect of a proposed acquisition. The proposed acquisition was not completed and a related writ of summons was filed by the plaintiff against HFGR on 19 April 2001. Having taken into account the formal legal opinion obtain from the Company's legal counsel, the directors of the Company considered that HFGR had meritorious defence against the claim from the plaintiff and no provision was made in the financial statements in the prior year.

As at 30 April 2002, the directors of the Company decided not to spend further time and costs to defend against the claim and had reached an agreement to compensate the plaintiff. As a result, a provision of approximately HK$11 million for the claim together with the related interest was made in the financial statements in the current year.

42. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following events occurred:

(a) On 7 May 2002, the Company completed the issue of convertible bonds with an aggregate principal denomination of HK$50,044,000 to certain independent investors. These convertible bonds were issued at zero coupon and could be called for redemption at any time up to 3 years subsequent to their date of issuance. The bonds together with a redemption premium ranging from nil to 100% of the outstanding bond principal amount, depending on the number of months lapsed since the issuance of the convertible bonds, were redeemable and convertible at any time during the period from their date of issuance to their date of maturity into a maximum of 1,000,880,000 ordinary shares of HK$0.10 each in the Company at a 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 announcement dated 24 April 2002. The proceeds from the issue of the convertible bonds of HK$50,044,000 were used to purchase gold bullion of HK$16,081,000; reduce certain existing debts of the Group outstanding at the balance sheet date of HK$23,963,000; and pay an initial deposit of HK$10,000,000 in connection with the acquisition of an investment in Mainland China.

On 7 May 2002 and 9 May 2002, holders of these convertible bonds served notices to the Company requiring the full redemption of the principal amount of these convertible bonds with a redemption premium at 100%. The Company elected to satisfy the said redemption by the issue and allotment of new ordinary shares in the Company at the conversion price of HK$0.10 each. 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 upon full conversion of these convertible bonds.

(b) On 8 May 2002 and 9 May 2002, the Group issued two promissory notes in the total amount of HK$80 million to an independent third party for the purpose of raising new finance. These two promissory notes bore interest at a rate of 2% per month and were repayable on 8 July 2002. The proceeds from the issuance of promissory notes were utilised mainly to purchase gold bullion of HK$59,400,000, and to repay bank loans of HK$19,920,000. The remaining balance was used as general working capital for the Group.

(c) On 19 June 2002, the Company completed the issue of convertible bonds with an aggregate principal denomination of HK$148,000,000 to certain independent investors. These convertible bonds were issued with a zero coupon and could be called for redemption at any time up to 3 years subsequent to their date of issuance. These bonds together with a redemption premium ranging from nil to 100% of the outstanding bond principal amount, depending on the number of months lapsed since the issuance of the convertible bonds, are redeemable and convertible at any time during the period from their date of issuance to their date of maturity into a maximum of 2,960,000,000 ordinary shares of HK$0.10 each in the Company at a 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 1 June 2002. The proceeds from the issue of the convertible bonds of HK$88,000,000 were used to repay promissory notes due to the independent third party noted in (b) above of HK$80,000,000 and to purchase gold bullion of HK$6,621,000. The remaining balance was used as general working capital for the Group. The proceeds from the issue of the convertible bonds of HK$60,000,000 have been utilised to purchase gold bullion of HK$29,868,000; to pay an initial contribution of HK$17,000,000 in connection with the establishment of the joint venture noted in (d) below, to reduce the Group's indebtedness of HK$5,404,000; and to settle daily operational expenses of HK$7,728,000.

42. POST BALANCE SHEET EVENTS *(Continued)*

(c) Between the period from 19 June 2002 to 27 June 2002, holders of these convertible bonds served notices to the Company requiring the full redemption of the principal amount of these convertible bonds with a redemption premium at 100%. The Company elected to satisfy the said redemption by the issue and allotment of new ordinary shares in the Company at the conversion price of HK$0.10 each. As a result, a total of 2,960,000,000 new ordinary shares of HK$0.10 each of the Company were issued and allotted upon full conversion of these convertible bonds.

(d) On 18 May 2002, the Group entered into a co-operative joint venture agreement (the "JV Agreement") with a party in Mainland China to jointly set up a joint venture company in Mainland China for the sale of gold and jewellery ornaments and to undertake gold refinery activities in Mainland China. Pursuant to the terms of the JV Agreement, the Group was required to contribute HK$68,000,000 as a capital injection into the joint venture. The period of the joint venture is 30 years. Up to the date of approval of the financial statements, the Group had contributed a total of HK$27 million to the joint venture company as described in (c) above and (l) below, but the joint venture company has yet to commence its operations.

(e) On 31 May 2002, the Group obtained advances from Mr. Chan Fat Chu, Raymond and Mr. Chan Fat Leung, Alexander, directors of the Company, in the aggregate amount of HK$3,400,000. The loans are interest-free, unsecured and are repayable on demand. The proceeds from the advance were utilised mainly to provide additional working capital for the Group's operations.

(f) On 6 June 2002, the Group entered into a sale and purchase agreement with an independent third party to dispose of its interest in certain subsidiaries which were engaged in property investment holding located outside of Hong Kong for a total cash consideration of HK$44,800,000, further details of which are set out in note 16 to the financial statements. The proceeds from the disposal were utilised to repay the respective mortgage loans borrowed from banks or financial institutions. The disposal did not result in any significant gain or loss to the Group.

(g) On 21 June 2002, the Group issued a promissory note in the amount of HK$20 million to the same independent third party as noted in (b) above for the purpose of raising new finance. This promissory note bore interest at a rate of 2% per month and was repayable on 20 July 2002 (note (j) below). The proceeds from the issuance of promissory note were utilised to purchase gold bullion of the same amount for the Group's operations.

(h) On 25 June 2002, the Group issued two promissory notes in the amount of HK$21 million and HK$19 million, respectively, to the same independent third party as noted in (b) above for the purpose of raising new finance. These two promissory notes bore interest at a rate of 2% per month and were repayable on 24 July 2002 and 25 July 2002 (note (j) below). The proceeds from the issuance of promissory notes were utilised to purchase gold bullion of HK$32,000,000 and to settle a brokerage customers account of HK$5,732,000. The remaining balance was used to settle daily operational expenses.

(i) On 26 June 2002, the Company entered into a co-operative agreement with NICHCB for the formation of a strategic alliance to further expand the Group's gold and jewellery operations in Mainland China. Pursuant to the agreement, there is no capital commitment for the Company towards the alliance, further details of which are set out in note 19 to the financial statements.

42. POST BALANCE SHEET EVENTS *(Continued)*

(j) On 9 July 2002, the Company completed the issue of convertible bonds with an aggregate principal denomination of HK$80,000,000 to certain independent investors. These convertible bonds were issued with a zero coupon and could be called for redemption at any time up to 3 years subsequent to their date of issuance on 9 July 2002. These bonds together with a redemption premium ranging from nil to 100% of the outstanding bond principal amount, depending on the number of months lapsed since the issuance of the convertible bonds, were redeemable and convertible during the period from their date of issue to their date of maturity at an initial conversion price of HK$0.10 each per share (subject to adjustment) into a maximum of 1,600,000,000 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 26 June 2002. The proceeds from the issue of the convertible bonds were utilised to repay a promissory note of HK$20,000,000 issued by the Group during the year ended 30 April 2002 and three promissory notes of HK$60,000,000 issued by the Group subsequent to year end as set out in (g) and (h) above.

On 10 July 2002, the holders of these convertible bonds served notices to the Company requiring the full redemption of the principal amount of these convertible bonds with a redemption premium at 100%. The Company elected to satisfy the said redemption by the issue and allotment of new ordinary shares in the Company at the conversion price of HK$0.10 each. As a result, a total of 1,600,000,000 new ordinary shares of HK$0.10 each of the Company were issued and allotted at par upon full conversion of these convertible bonds.

(k) On 8 July 2002, the Company entered into a sale and purchase agreement with an independent third party for the acquisition of an investment involved in credit card project at a consideration of HK$19 million. The consideration for the acquisition was satisfied by the issuance of promissory notes of the same amount by the Company. The promissory notes bear interest at 6% per annum and are repayable on 6 November 2003. This promissory note has also been included in the Group's indebtedness as at 27 March 2003 for the Debt Restructuring.

(l) On 10 July 2002, the Group issued a promissory note in the amount of HK$20 million to the same independent third party as noted in (b) above for the purpose of raising new finance. This promissory note bore interest at a rate of 2% per month and was repayable on 9 August 2002. The proceeds from the issuance of promissory note were utilised to purchase gold bullion of HK$5,520,000, to pay for the capital contribution in the joint venture noted in (d) above of HK$10,000,000 and to repay part of the loan from directors referred to in (e) above of HK$2,000,000. The remaining balance was used to settle daily operational expenses for the Group.

(m) On 12 July 2002, the Group issued a promissory note to a non-financial institution of HK$3 million. The loan bore interest at a rate of 8% per annum, and was repayable on 9 February 2003. The proceeds from the advance were utilised mainly to provide additional working capital for the Group's operations.

(n) On 15 July 2002 and 17 July 2002, the Group issued two promissory notes in the amounts of HK$2,500,000 and HK$2,000,000, respectively, to a non-financial institution. These two promissory notes bear interest at a rate of 8% per annum and are repayable on 14 July 2003 and 16 July 2003, respectively. The proceeds from the issuance of promissory notes were utilised mainly to purchase gold bullion of HK$2,500,000 and to settle a brokerage customers account of HK$953,000. The remaining balance was used as general working capital for the Group.

42. POST BALANCE SHEET EVENTS *(Continued)*

(o) On 18 July 2002, Trasy completed the placement of an aggregate of 399,000,000 new ordinary shares of HK$0.01 each in Trasy to independent investors at a subscription price of HK$0.023 per share for a total cash consideration of approximately HK$9,177,000 (the "Trasy Subscription"). The subscription proceeds, net of share issue expenses, realised from the share placement of approximately HK$9 million were utilised mainly for the acquisition of gold bullion and working capital. The Trasy Subscription resulted in a small dilution of the Group's interest therein from 58.46% to 50.07% and a small gain on deemed disposal of approximately HK$0.87 million.

(p) On 20 July 2002 and 22 July 2002, the Group issued two promissory notes in the amount of HK$1,500,000 and HK$2,000,000, respectively, to a non-financial institution. These two promissory notes bear interest at a rate of 8% per annum and are repayable on 19 July 2003 and 21 July 2003. The proceeds from the issuance of promissory notes were utilised to purchase gold bullion of the same amount for the Group's operations.

(q) On 8 August 2002, the Group issued two promissory notes in the amount of HK$25 million and HK$30 million, respectively, to the same independent third party as noted in (b) above for the purpose of raising new finance. These two promissory notes bore interest at a rate of 2% per month and were repayable on 9 September 2002 and 10 September 2002. The proceeds from the issuance of promissory notes were utilised to purchase gold bullion of HK$54,000,000 from a supplier and settle interest expenses on convertible bonds of HK$1,000,000.

(r) On 14 August 2002, the Group issued a promissory note to a non-financial institution of HK$7 million. The loan bore interest at a rate of 8% per annum, and was repayable on 14 February 2003. The proceeds from the promissory note were utilised mainly to purchase gold bullion of HK$4,297,000 and to settle a brokerage customers account of HK$922,000. The remaining balance was used as general working capital for the Group.

(s) On 14 August 2002 and 16 August 2002, the Group issued two promissory notes in the amount of HK$25 million and HK$20 million, respectively, to the same independent third party as (b) above for the purpose of raising new finance. These two promissory notes bore interest at a rate of 2% per month and were repayable on 14 September 2002 and 18 September 2002. The proceeds from the issuance of the promissory notes were utilised to purchase gold bullion for the Group's operations of the same amount.

(t) On 15 August 2002, the Group issued a promissory note in the amount of HK$4,000,000 to a non-financial institution. This promissory note bears interest at a rate of 8% per annum and is repayable on 14 August 2003. The proceeds from the issuance of the promissory note were utilised to purchase gold bullion of HK$2,680,000 and the remaining balance was used as general working capital for the Group.

42. POST BALANCE SHEET EVENTS *(Continued)*

(u) On 29 August 2002, the Company completed the issue of convertible bonds with an aggregate principal denomination of HK$120,000,000 to certain independent investors. These convertible bonds were issued with a zero coupon and could be called for redemption at any time up to 3 years subsequent to their date of issuance. These bonds together with a redemption premium ranging from nil to 100% of the outstanding bond principal amount, depending on the number of months lapsed since the issuance of the convertible bonds, were redeemable and convertible during the period from their date of issue to their date of maturity at an initial conversion price of HK$0.10 each per share (subject to adjustment) into a maximum of 2,400,000,000 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 circular to its shareholders dated 7 August 2002. The proceeds from the issue of the convertible bonds were utilised to reduce the Group's promissory notes issued to the same independent third party referred to in (b) above of the same amount.

On 29 August 2002, the holders of these convertible bonds served notices to the Company requiring the full redemption of the principal amount of these convertible bonds with a redemption premium at 100%. The Company elected to satisfy the said redemption by the issue and allotment of new ordinary shares in the Company at the conversion price of HK$0.10 each. As a result, a total of 2,400,000,000 new ordinary shares of HK$0.10 each of the Company were issued and allotted at par upon full conversion of these convertible bonds.

(v) On 24 August 2002, the Group issued a promissory note in the amount of HK$30 million to the same independent third party referred to in (b) above for the purpose of raising new finance. This promissory note bore interest at a rate of 2% per month and was repayable on 26 September 2002. The proceeds from the issuance of promissory note were utilised to purchase gold bullion of the same amount for the Group's operations.

(w) On 28 August 2002, 30 August 2002, 2 September 2002 and 12 September 2002, the Group issued four promissory notes in the amounts of HK$20,000,000, HK$20,000,000, HK$30,000,000 and HK$5,000,000, respectively, to the same third party as referred to in (b) above for the purpose of raising new finance. These four promissory notes bore interest at a rate of 2% per month and repayable on 28 September 2002, 30 September 2002, 2 October 2002 and 12 October 2002, respectively. The proceeds from the issuance of promissory notes were utilised to purchase gold bullion of HK$68,459,000 for the Group's operations. The remaining balance was used as general working capital for the Group.

(x) On 5 September 2002, the Group obtained an advance from a non-financial institution of HK$1 million. The advance bore interest at a rate of 20% per annum and was repayable on 7 October 2002. The proceeds from the advance were utilised to provide working capital for the Group's operations.

42. POST BALANCE SHEET EVENTS *(Continued)*

(y) On 23 September 2002, the Company completed the issue of convertible bonds with an aggregate principal denomination of HK$124,980,000 to certain independent investors. These convertible bonds were issued with a zero coupon and unless otherwise converted, could be called for redemption at any time up to 3 years subsequent to their date of issuance. These bonds together with a redemption premium ranging from nil to 100% of the outstanding bond principal amount, depending on the number of months lapsed since the issuance of the convertible bonds, were redeemable and convertible during the period from their date of issue to their date of maturity at an initial conversion price of HK$0.10 each per share (subject to adjustment) into a maximum of 2,499,600,000 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 30 August 2002. The proceeds from the issue of the convertible bonds were utilised to purchase gold bullion of HK$94,030,000 and to repay bank loans of HK$30,950,000.

On 23 September 2002, certain holders of these convertible bonds served notices to the Company requiring the conversion of bond principal in the total amount of HK$93,789,000 with a redemption premium at 100%. The Company elected to satisfy the said redemption by the issue and allotment of new ordinary shares in the Company at the conversion price of HK$0.10 each. As a result, a total of 1,875,780,000 new ordinary shares of HK$0.10 each of the Company were issued and allotted at par upon full conversion of these convertible bonds.

As part of the Debt Restructuring (see note 2 to the financial statements), the remaining holders of these convertible bonds elected not to participate in the Debt Restructuring.

(z) On 23 September 2002, the Group issued two promissory notes in the aggregate principal amounts of HK$23,500,000 and HK$7,500,000, respectively, to the same independent third party referred to in (b) above for the purpose of raising new finance. These two promissory notes bore interests at a rate of 2% per month and were repayable on 23 October 2002. The proceeds from the issuance of promissory notes were utilised to purchase gold bullion of HK$31,000,000 from an independent third party for the Group's operations.

(aa) On 25 October 2002, the Group issued a promissory note in the amount of HK$5,000,000 to the same independent third party referred to in (b) above for the purpose of raising new finance. This promissory note bore interest at a rate of 2% per month and was repayable on 25 November 2002. The proceeds from the issuance of promissory notes were utilised to repay bank loan of HK$1,280,000 and settle brokerage customers of HK$1,301,000. The remaining balance was used as general working capital for the Group.

(ab) On 23 November 2002 and 19 December 2002, the Company issued two promissory notes with aggregate principal amounts of HK$4,000,000 and HK$6,000,000, respectively, to an independent third party. These two promissory notes bore interest at a rate of 8% per annum and were repayable on 22 February 2003 and 18 April 2003 respectively. The proceeds from the issuance of the promissory notes were utilised to purchase gold bullion of HK$2,261,000 and to repay a bank loan of HK$1,197,000. The remaining balance was used as general working capital for the Group.

(ac) On 29 November 2002, the Company issued a promissory note with an aggregate principal amount of HK$1,500,000 to a non-financial institution. This promissory note bore interests at a rate of 6% per annum and was repayable on 28 February 2003. The proceeds from the issuance of the promissory note were utilised to repay a loan of HK$500,000 and the remaining balance was used as general working capital for the Group.

42. POST BALANCE SHEET EVENTS *(Continued)*

(ad) On 17 December 2002, the Company announced a proposal to consolidate every ten existing issued and unissued ordinary shares of HK$0.10 par value into one new ordinary share of HK$1.00 par value each (the "Share Consolidation"). Further details of the Share Consolidation are set out in the Company's circular dated 1 January 2003. The Share Consolidation was approved by shareholders of the Company at a special general meeting held on 22 January 2003 and became unconditional on 23 January 2003.

(ae) On 14 January 2003, the Group issued a promissory note with an aggregate principal amount of HK$6,000,000 to the same independent third party as referred to in (b) above for the purpose of raising new finance. This promissory note bore interest at a rate of 2% per month and was repayable on 14 January 2003. The proceeds from the issuance of the promissory note were utilised mainly to provide additional working capital for the Group's operation.

(af) On 27 January 2003, the Company obtained an advance from a financial institution of HK$3 million. The loan bore interest at a rate of 12% per annum, and was repayable on 27 May 2003. The proceeds from the advance were utilised mainly to provide additional working capital for the Group's operations.

(ag) On 11 March 2003, the Group entered into the COP Agreement with the Agent to collect all the outstanding long term receivables recorded as at balance sheet date and subsequent to the balance sheet date. Further details of the terms and the arrangements of the COP Agreement are set out in note 21 to the financial statements.

(ah) On 12 March 2003, the Directors announced that the Company and certain subsidiaries would undergo a Capital Reorganisation and Debt Restructuring, the details of which and the subsequent developments itself are summarised in note 2 to the financial statements.

(ai) On 3 April 2003, the Group entered into a sale and purchase agreement with an independent third party to dispose of its Can Do Preference Shares at a total consideration of approximately HK$1,365,000, further details of which are set out in note 20 to the financial statements.

(aj) On 24 April 2003, Trasy entered into a sale and purchase agreement with an independent third party to purchase a 25% equity interest in Goffers Management Limited ("Goffers") for a consideration of HK$45 million (the "Goffers Acquisition"). The principal asset of Goffers is its 49% equity interest in a joint venture company established in Mainland China which beneficially owns a gold mine in Xinjiang, Mainland China. The consideration for the acquisition was determined with reference to a business valuation (the "Valuation") performed by an independent professionally qualified valuer (the "Trasy Valuer") of not less than HK$367 million. As disclosed in Trasy's announcement dated 16 May 2003, the Trasy Valuer is not on the approved list to perform valuation of mines in Mainland China and has no experience in gold mine valuations. As also stated in the announcement, there were limitations and constraints in the preparation of the valuation by Trasy Valuer. The consideration for the acquisition is to be satisfied either by cash, or gold bullion held by Trasy. Up to the date of approval of the financial statements, the Goffers Acquisition had not been completed.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Giant Dragon Limited	British Virgin Islands/ Hong Kong	US$3	100	–	Investment holding and provision of bullion financing to customers
Tothill Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding and provision of loans to customers
Commodity Online Ltd.	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Hing Fung Goldsmith And Refinery Limited	Hong Kong	HK$150,000,000	–	100	Bullion broking, refining, trading of precious metals and provision of bullion financing to customers
M.A.H.F. Precious Metal Refinery Sdn. Bhd.#	Malaysia	RM12,342,980	–	82.8	Gold refining and precious metal trading
RNA Assets Management Limited	Hong Kong	HK$2	–	100	Provision of loans to customers
RNA Investments (Holdings) Limited	Hong Kong	Ordinary shares of HK$1,000 Non-voting deferred shares of HK$10,000,000	–	100	Investment holding and property investment
Hing Fung Diamonds Limited	Hong Kong	HK$1,000,000	–	100	Diamond trading
Hing Fung Jewellery Company Limited	Hong Kong	HK$2	–	100	Retailing of jewellery and gold ornaments
Hing Fung Golden Rand Limited	Hong Kong	HK$1,342,282	–	100	Manufacturing and trading of gold products
Diamond Link Limited	Hong Kong	Ordinary shares of HK$5,000,000 Ordinary shares of US$2	–	100	Retailing of diamond and jewellery

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Polkadot Limited	British Virgin Islands/ Hong Kong	US$2	100	–	Investment holding
A & R Gold Mart Sdn. Bhd.#	Malaysia	RM100,000	–	100	Wholesaling and retailing of jewellery
Golden Hand Limited	British Virgin Islands	Ordinary shares of US$10 Non-voting Deferred shares of US$90	–	100	Investment holding
Rich Famous Development Limited	Hong Kong	HK$10,000	–	100	Property investment
Tem Fat Hing Fung Investments (Holdings) Limited	Hong Kong	HK$2	–	100	Property investment and holding
Master Joyce Limited**	British Virgin Islands	US$1	–	100	Property investment
Gold Result Developments Limited**	British Virgin Islands	US$1	–	100	Property investment
Hottentot Enterprises Limited**	British Virgin Islands	US$1	–	100	Property investment
Moiselle Enterprises Limited**	British Virgin Islands	US$1	–	100	Property investment
True Reality Investments Limited**	British Virgin Islands	US$1	–	100	Property investment
Zamora Enterprises Limited**	British Virgin Islands	US$1	–	100	Property investment
Goldseed Developments Limited**	Hong Kong	HK$2	–	100	Property investment

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chancellor Properties (Holdings) Limited	British Virgin Islands	US$1	–	100	Investment holding
Trasy Gold Ex Limited*	Cayman Islands	US$1	–	58.46	Investment holding
The Gold On-line Trading Limited*	Hong Kong	HK$2	–	58.46	Operation of an Internet-based electronic trading system
G9999.com Limited*	Hong Kong	HK$2	–	58.46	Internet content provider
Wing Shing Loong Goldsmith & Refinery Co. Limited*	Hong Kong	HK$5,000,000	–	58.46	Gold bullion licence holding
Trasy Technology Limited*	British Virgin Islands/ Hong Kong	US$1	–	58.46	Research and development and software owner

Audited by Ernst & Young International member firms.

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

** These subsidiaries were disposed of to an independent third party before the date of approval of these financial statements and further details of which are set out in note 42(f) to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

44. PARTICULARS OF PRINCIPAL ASSOCIATES

Company name	Business structure	Place of incorporation/ establishment and operations	Percentage of indirect equity interest attributable to the Company 2002	2001	Principal activities
RNA Goldsmith And Refinery (M) Sdn. Bhd.#	Corporate	Malaysia	49	49	Property development
Changzhou Hing Fung Jewellery Company Limited*	Corporate	The People's Republic of China	50	50	Manufacturing of jewellery and gold ornaments
Cypress Investments Limited*	Corporate	Samoa	47.5	–	Investment holding
Kitimat Investments Limited*	Corporate	Samoa	47.5	–	Investment holding
Kurilen Investments Limited*	Corporate	Samoa	47.5	–	Investment holding
Ossorgim Investors Limited*	Corporate	Samoa	47.5	–	Investment holding
Revere Investments Limited*	Corporate	Samoa	47.5	–	Investment holding
Sachalin Investments Limited*	Corporate	Samoa	47.5	–	Investment holding

Audited by Ernst & Young International member firms.

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The above table lists the particulars of the associates which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

45. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. 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 17 June 2003.