NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange.

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 35.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants which has resulted in the adoption of the following new and revised accounting policies. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of a statement of changes in equity. The adoption of the following new and revised standards has had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

Foreign Currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the year. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting years.

Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest income and dividends, which were previously presented under a separate heading, are classified as operating activities and interest expenses were classified as financing activities. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The adoption of this revised SSAP has resulted in the change of format of presentation and no material effect on the results for the current or prior accounting years.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

Discontinuing Operations

SSAP 33 "Discontinuing Operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Polices". Under SSAP 33, financial statements amounts relating to the discontinuing operations are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's toy manufacturing and distribution business as a discontinuing operation in the current year, details of which are disclosed in note 7.

Employee Benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group's participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances have been eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from restaurant operations is recognised at the point of sale to customers or when services are rendered.

Revenue from securities trading is recognised when the contracts of the relevant transaction are concluded and executed.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income, including rental invoiced in advance, from properties under operating leases is recognised on a straight line basis over the period of the respective leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land and buildings	Over the terms of the leases
Leasehold improvements	Over the shorter of the terms of the lease, or 5 years
Plant and machinery	20% to 33-1/3%
Restaurant equipment	20% to 33-1/3%
Furniture, fixtures and equipment	20% to 33-1/3%
Motor vehicles	25% to 33-1/3%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Intangible assets

Intangible assets are stated at cost less amortisation and accumulated impairment losses and are amortised on a straight-line basis over their estimated useful lives.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of toys and food and beverages are calculated using first-in, first-out method while cost of wines and spirits are calculated using weighted average method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with mothered gains and losses included in net profit or loss for the year.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. The tax effect of timing differences, which arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements, is computed using the liability method and is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease terms.

Retirement benefits schemes

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially translated into Hong Kong dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the subsidiaries which are denominated in currencies other than the Hong Kong dollars are translated into Hong Kong dollars at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

BUSINESS SEGMENTS

For management purposes, the Group is currently organised into three major operating divisions - trading of consumer products, operation of restaurants and securities trading and investments. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Consumer products trading	—	Sourcing, distribution and retailing of consumer products;
Restaurants operations	—	Operation of a microbrewery restaurant and a bar restaurant;
Securities trading and investments	—	Trading and investing of marketable securities.

In prior years, the Group was principally engaged in single business segment which involves the design, manufacture, sale and distribution of toy products, namely the toy manufacturing and distribution business. The operation was discontinued from 8 October 2002 upon the disposal of the Group's entire interest in Rockapetta Investment Limited ("RIL"), details of which are set out in note 7.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

No business segment analysis of the Group's financial information is presented for 2001 as the Group was engaged in a single business segment in that year. An analysis of the Group's turnover, operating results, assets, liabilities and other information by business segment for 2002 is presented below:

For the year ended 31 December 2002

	Continuing operations			Discontinuing operation	
	Consumer products trading	Restaurants operations	Securities trading and investments	Toy manufacturing and distribution	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	17,021	20,570	8,716	73,411	119,718
RESULT					
Segment result before amortisation of goodwill	295	470	(4,742)	(11,308)	(15,285)
Less: Amortisation of goodwill	—	(208)	—	—	(208)
Segment result	295	262	(4,742)	(11,308)	(15,493)
Other operating income					598
Unallocated corporate expenses					(5,157)
Loss from operations					(20,052)
Finance costs					(2,343)
Gain on disposal of subsidiaries					14,208
Loss before taxation					(8,187)
Taxation					(4)
Loss before minority interests					(8,191)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

At 31 December 2002

	Consumer products trading	Restaurants operations	Securities trading and investments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	24,479	14,764	24,753	63,996
Unallocated corporate assets				19,000
Consolidated total assets				82,996
LIABILITIES				
Segment liabilities	11,688	2,452	255	14,395
Unallocated corporate liabilities				9,284
Consolidated total liabilities				23,679

Other Information

For the year ended 31 December 2002

	Continuing operations			Discontinuing operation	
	Consumer products trading	Restaurants operations	Securities trading and investments	Toy manufacturing and distribution	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions					
Property, plant and equipment	7	484	512	938	1,941
Intangible assets	—	—	2,000	—	2,000
Depreciation and amortisation					
Property, plant and equipment	120	757	47	4,062	4,986
Intangible assets	—	—	167	418	585
Goodwill	—	208	—	—	208
Impairment loss recognised in respect of intangible assets	—	—	1,000	—	1,000
Net unrealised holding loss on other investments	—	—	3,560	—	3,560

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

GEOGRAPHICAL SEGMENTS

The Group's restaurants operations and consumer products trading business are carried out in Singapore and the securities trading and investments are carried out in Hong Kong. Also the customers of the Group's discontinuing operation of toy manufacturing and distribution business are mainly located in North America and Asia Pacific region.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	2002	2001
	HK$'000	*HK$'000*
Hong Kong	**8,716**	—
Singapore	**37,591**	—
North America	**35,652**	84,255
Europe	**7,087**	5,350
South America	**—**	187
Other Asia Pacific regions	**17,207**	21,553
Others	**13,465**	1,599
	119,718	112,944

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Capital additions**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
People's Republic of China	**—**	131,273	**938**	6,225
Hong Kong	**29,782**	49,300	**2,512**	219
Singapore	**53,214**	—	**491**	—
	82,996	180,573	**3,941**	6,444

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

5. LOSS FROM OPERATIONS

	2002	2001
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Directors' remuneration (Note 8)	**1,124**	1,660
Other staff costs	**23,128**	18,722
Total staff costs	**24,252**	20,382
Depreciation and amortisation		
Owned assets	**4,925**	8,582
Asset under a finance lease	**61**	88
Goodwill (charged to other operating expenses)	**208**	—
Intangible assets (charged to other operating expenses)	**585**	928
	5,779	9,598
Auditors' remuneration		
Current year	**384**	474
Underprovision in prior years	**87**	—
Allowance for bad and doubtful debts	**—**	2,625
Allowance for slow-moving and obsolete inventories	**—**	10,743
Impairment loss recognised in respect of intangible assets (charged to other operating expenses)	**1,000**	—
Impairment loss recognised in respect of property, plant and equipment (charged to other operating expenses)	**—**	2,500
Net unrealised holding loss on other investments (charged to other operating expenses)	**3,560**	—
Cost of inventories recognised as expenses	**90,908**	117,152
and after crediting:		
Bank interest income	**231**	150
Dividend income from investments in listed securities	**180**	—
Gain on disposal of property, plant and equipment	**—**	109

Included in total staff costs is an aggregate amount of approximately HK$1,084,000 (2001: HK$251,000), in respect of retirement benefit scheme contributions paid or payable, net of nil forfeited contribution, by the Group.

6. FINANCE COSTS

	2002	2001
	HK$'000	*HK$'000*
Interest on:		
bank borrowings wholly repayable within five years	**1,193**	2,175
other loans wholly repayable within five years	**1,139**	2,333
a finance lease	**11**	103
a loan from a former director wholly repayable within five years	**—**	1,033
	2,343	5,644

7. DISCONTINUING OPERATION

During the year, the Group disposed of its entire interest in a subsidiary, RIL, together with its subsidiaries and associates, for an aggregate cash consideration of HK$25,000,000 (the "Disposal"). RIL was principally engaged in the toy manufacturing and distribution business in Hong Kong and the People's Republic of China (the "PRC") with its major customers located in North America (principally the United States of America). The Disposal was one of the transactions for the Group to diversify into the food and beverage business and the securities trading and investments. Further details of the Disposal are also set out in the circular of the Company dated 25 October 2002.

The Disposal was completed on 8 October 2002 on which date control of RIL passed to the acquirers. The results of the toy manufacturing and distribution business for the period from 1 January 2002 to 8 October 2002, which have been included in the consolidated income statements, were as follows:

	1.1.2002 to 8.10.2002	1.1.2001 to 31.12.2001
	HK$'000	*HK$'000*
Turnover	**73,411**	112,944
Other operating income	**608**	3,568
Operating costs	**(85,327)**	(156,708)
Loss from operations	**(11,308)**	(40,196)
Finance costs	**(2,238)**	(5,644)
Share of results of associates	**—**	(10)
Loss before taxation	**(13,546)**	(45,850)
Taxation	**—**	(9)
Loss for the period/year	**(13,546)**	(45,859)

7. DISCONTINUING OPERATION *(Continued)*

During the year, the toy manufacturing and distribution business resulted net cash outflow of HK$8 million (2001: net cash inflow of HK$8 million) from the Group's operation, paid HK$1 million (2001: received HK$10 million) in respect of investing activities and received HK$4 million (2001: HK$4 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of the toy manufacturing and distribution business at the date of disposal, are disclosed in note 28.

The gain arising from the discotinuance of the toy manufacturing and distribution business of approximately HK$14,208,000 was determined based on the sale proceeds of the Disposal less the carrying amount of the consolidated net assets of RIL. No tax charge or credit arose from the transaction.

8. DIRECTORS' EMOLUMENTS

Particulars of the emoluments of the directors for the year are as follows:

	2002	2001
	HK$'000	*HK$'000*
Fees		
Executive directors	**100**	—
Independent non-executive directors	**140**	120
	240	120
Other emoluments for executive directors		
Salaries and other benefits	**854**	1,439
Retirement benefits scheme contributions	**30**	101
	1,124	1,660

The aggregate emoluments of each of the directors were less than HK$1,000,000 for both years.

No emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office and no directors waived any emoluments in both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group included, two directors (2001: two directors) of the Company whose emoluments are set out in the disclosures in note 8 above. The emoluments of the remaining highest paid individuals were as follows:

	2002	2001
	HK$'000	*HK$'000*
Salaries and other benefits	**1,212**	2,438
Retirement benefits scheme contributions	**41**	216
	1,253	2,654

The aggregate emoluments of each of the employees were less than HK$1,000,000 for both years.

10. TAXATION

The charge for both years represents tax in other jurisdictions calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made in the financial statements as the group companies incurred tax losses for both years.

Details of the deferred taxation are set out in note 26.

11. LOSS PER SHARE

The calculation of the loss per share is based on the net loss for the year of approximately HK$8,412,000 (2001:HK$45,859,000) and on the weighted average number of 712,358,521 (2001:615,213,726) shares in issue during the year.

No diluted loss per share has been presented as the effect of the exercise of the outstanding share options of the Company would result in a decrease in the loss per share for both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Restaurant equipments	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
COST							
At 1 January 2002	89,408	8,263	71,466	—	12,511	1,922	183,570
Exchange adjustments	—	46	—	72	23	2	143
Additions	15	112	839	322	653	—	1,941
Acquired on acquisition of subsidiaries	—	1,861	—	2,767	1,208	85	5,921
Eliminated on disposal of subsidiaries	(89,423)	(8,285)	(72,305)	—	(12,574)	(1,922)	(184,509)
At 31 December 2002	—	1,997	—	3,161	1,821	87	7,066
DEPRECIATION AND AMORTISATION							
At 1 January 2002	10,325	8,045	62,647	—	9,815	1,616	92,448
Exchange adjustments	—	7	—	8	5	—	20
Provided for the year	1,197	473	1,953	396	880	87	4,986
Eliminated on disposal of subsidiaries	(11,522)	(8,218)	(64,600)	—	(10,470)	(1,701)	(96,511)
At 31 December 2002	—	307	—	404	230	2	943
NET BOOK VALUES							
At 31 December 2002	—	1,690	—	2,757	1,591	85	6,123
At 31 December 2001	79,083	218	8,819	—	2,696	306	91,122

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Furniture, fixtures and equipment
	HK$'000
THE COMPANY	
COST	
At 1 January 2002	38
Disposal	(38)
At 31 December 2002	—
DEPRECIATION	
At 1 January 2002	38
Eliminated on disposal	(38)
At 31 December 2002	—
NET BOOK VALUE	
At 31 December 2002	—
At 31 December 2001	—

At 31 December 2001, the leasehold land and buildings of the Group were situated in the PRC and held under medium term lease.

At 31 December 2001, the net book value of property, plant and equipment of the Group included an amount of HK$229,000 in respect of assets held under a finance lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

13. INTANGIBLE ASSETS

	Research and development expenditure	Stock Exchange trading right	Total
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
COST			
At 1 January 2002	9,464	—	9,464
Additions	—	2,000	2,000
Eliminated on disposal of subsidiaries	(9,464)	—	(9,464)
At 31 December 2002	—	2,000	2,000
AMORTISATION AND IMPAIRMENT			
At 1 January 2002	6,732	—	6,732
Charge for the year	418	167	585
Impairment loss for the year	—	1,000	1,000
Eliminated on disposal of subsidiaries	(7,150)	—	(7,150)
At 31 December 2002	—	1,167	1,167
NET BOOK VALUES			
At 31 December 2002	—	833	833
At 31 December 2001	2,732	—	2,732

The research and development expenditure and the Stock Exchange trading right are amortised on a straight line basis of five and eight years, respectively.

The directors reviewed the carrying value of the Stock Exchange trading right with reference to the current economic condition and the changes in the business environment of the securities industry in Hong Kong, recognised an impairment loss of HK$1,000,000 in respect of the trading right in the Stock Exchange. In the opinion of the directors, the carrying value of the trading right as at 31 December 2002 represented the net selling price of this asset.

14. GOODWILL

	HK$'000
THE GROUP	
COST	
Arising on acquisition of subsidiaries during the year and balance at 31 December 2002	6,442
AMORTISATION	
Charge for the year and balance at 31 December 2002	208
NET BOOK VALUE	
At 31 December 2002	6,234

The goodwill is amortised on a straight line basis of ten years.

15. INTERESTS IN SUBSIDIARIES/AMOUNT DUE TO A SUBSIDIARY

	THE COMPANY	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares, at cost	**—**	40,275
Amounts due from subsidiaries	**62,833**	158,750
Less: Allowance for amounts due from subsidiaries	**(5,800)**	(127,000)
	57,033	72,025
Amount due to a subsidiary	**12**	—

At 31 December 2001, the carrying amount of the unlisted shares was based on the book values of the underlying net assets of the subsidiaries engaged in the Group's toy manufacturing and distribution business attributable to the Group as at the date on which the Company became the holding company of the Group under the group reorganisation in 1994, less dividends distributed from pre-reorganisation reserves of the subsidiaries. That amount was released upon the discontinuance of toy manufacturing and distribution operation in 2002.

15. INTERESTS IN SUBSIDIARIES/AMOUNT DUE TO A SUBSIDIARY *(Continued)*

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repaid within twelve months from the balance sheet date and are therefore classified as non-current.

The amount due to a subsidiary is unsecured, non-interest bearing and is repayable on demand.

Details of the subsidiaries of the Company at 31 December 2002 are set out in note 35.

16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Share of net assets	**—**	1,530

Interests in associates at 31 December 2001 represented a 40% equity interest in both Sanyu (B.V.I.) Limited, incorporated in the British Virgin Islands, and Sanyu Engineering Company Limited, incorporated in Hong Kong. During the year, the Group disposed of its entire interest in these two companies upon the discontinuance of toy manufacturing and distribution operation.

17. INVENTORIES

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**—**	12,237
Work in progress	**—**	3,312
Finished goods	**11,264**	9,830
Food and beverages	**1,048**	—
	12,312	25,379

At 31 December 2002, all the inventories are stated at cost.

At 31 December 2001, included above were inventories of HK$11,854,000 which were carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

18. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period ranging from 30 days to 60 days to its trade customers. Included in trade and other receivables are trade receivables of HK$12,135,000 (2001: HK$13,148,000) and the aged analysis is as follows:

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
0 to 60 days	**11,617**	4,206
61 to 90 days	**237**	1,222
Over 90 days	**281**	7,720
	12,135	13,148

19. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Other investments - listed equity securities		
Hong Kong	**790**	—
Overseas	**22,324**	—
Total classified as current assets	**23,114**	—
Market value of listed securities	**23,114**	—

The carrying value of overseas listed securities as 31 December 2002 included an amount of approximately HK$10,985,000, representing 5% interest in United Pulp & Paper Company Limited, a company incorporated in Singapore with its shares listed on the Singapore Exchange Securities Trading Limited and engaged in the manufacturing and selling of paper and packaging products.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

20. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$9,777,000 (2001: HK$26,315,000), and the aged analysis is as follows:

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
0 to 60 days	**7,901**	16,309
61 to 90 days	**910**	3,178
Over 90 days	**966**	6,828
	9,777	26,315

21. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The maturity of obligations under a finance lease is as follows:				
Within one year	**—**	82	**—**	67
In the second to fifth year inclusive	**—**	102	**—**	84
	—	184	**—**	151
Less: Future finance charges	**—**	(33)	**N/A**	N/A
Present value of lease obligations	**—**	151	**—**	151
Less: Amount due within one year shown under current liabilities			**—**	(67)
			—	84

21. OBLIGATIONS UNDER A FINANCE LEASE *(Continued)*

It was the Group's policy to lease certain of its motor vehicles under a finance lease. The average lease term was 3 years. Interest rates are fixed at the contract date. All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under a finance lease were secured by the lessor's charge over the leased assets.

During the year, the obligations was released upon the disposal of toy manufacturing and distribution business.

22. BORROWINGS

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Bank overdrafts	**6,010**	—
Bank borrowings	**—**	19,973
Other borrowings	**1,774**	45,139
	7,784	65,112
Analysed as:		
Secured	**7,784**	20,612
Unsecured	**—**	44,500
	7,784	65,112

At 31 December 2002, other borrowings represent the amount granted by a broker firm and the amount is secured by investments in securities with carrying value of approximately HK$7,600,000 and bear interest at 6% per annum.

At 31 December 2001, other borrowings were unsecured and non-interest bearing except for an amount of HK$44,500,000 which bore interest at prime rate.

All of the above borrowings are due within one year and are therefore shown under current liabilities.

23. SHARE CAPITAL

	Number of shares	Value
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 31 December 2001 and 2002	5,000,000,000	500,000
Issued and fully paid:		
At 1 January 2001	559,760,000	55,976
Issue of new shares	111,000,000	11,100
Conversion of convertible notes	30,000,000	3,000
Exercise of share options	11,540,000	1,154
At 31 December 2001	712,300,000	71,230
Exercise of share options	60,000	6
At 31 December 2002	712,360,000	71,236

During the year, the Company issued and allotted 60,000 shares of HK$0.10 each as a result of the exercise of share options. These shares rank pari passu with the existing shares in all respects.

24. SHARE OPTIONS

Pursuant to a resolution passed on 28 January 1994, the Company's share option scheme (the "Scheme") was adopted for the primary purpose of providing incentives to directors and eligible employees, and shall be valid and effective for a period of 10 years expiring on 27 January 2004 (the "Scheme Period"). Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares, when aggregated with the total number of shares already issued under all the options previously granted to him which have exercised, and issuable under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme, without prior approval from the Company's shareholders.

24. SHARE OPTIONS *(Continued)*

No consideration is payable on the grant of an option. Options may be exercised at any time within the period commencing from the date of grant of the option and expiring on the date following the sixth anniversary from the date of grant or at the expiry of the Scheme Period, whichever is earlier. The exercise price is determined by the directors of the Company and shall not be less than the higher the nominal value of the shares and an amount which is based on 80% of the average of the closing prices of the shares of the Company on the five trading days immediately preceding the date of grant.

The Stock Exchange amended the requirements for share option schemes under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). These requirements have come into effect from 1 September 2001. The Company is required to comply with the new requirements in granting of new share options under the Scheme from the said date.

The following table discloses details of the Company's share options held by employees (including directors of the Company and its subsidiaries) and movements in such holdings during the year:

For the year ended 31 December 2002

Exercise period	Exercise price	Outstanding at 1.1.2002	Exercised during year	Outstanding at 31.12.2002
	HK$			
17/8/2001 to 27/1/2004	0.17	60,000	60,000	—

No options were granted, lapsed or cancelled during the year. The closing price of the Company's shares immediately before the date on which the share options were exercised, was HK$0.52.

24. SHARE OPTIONS *(Continued)*

For the year ended 31 December 2001

Exercise period	Exercise price	Outstanding at 1.1.2001	Granted during year	Exercised during year	Lapsed/ cancelled during year	Outstanding at 31.12.2001
	HK$					
14/3/1995 to 13/3/2001	0.62	2,260,000	—	—	2,260,000	—
5/9/1995 to 4/9/2001	0.61	600,000	—	—	600,000	—
26/1/2000 to 27/1/2004	0.17	8,600,000	—	—	8,600,000	
17/8/2001 to 27/1/2004	0.17	—	11,600,000	11,540,000	—	60,000
		11,460,000	11,600,000	11,540,000	11,460,000	60,000

Details of the share options held by the directors included in the above table were as follows:

Exercise period	Exercise price	Outstanding at 1.1.2001	Granted during year	Exercised during year	Lapsed/ cancelled during year	Outstanding at 31.12.2001
	HK$					
14/3/1995 to 13/3/2001	0.62	1,400,000	—	—	1,400,000	—
5/9/1995 to 4/9/2001	0.61	600,000	—	—	600,000	—
26/1/2000 to 27/1/2004	0.17	3,500,000	—	—	3,500,000	—
17/8/2001 to 27/1/2004	0.17	—	1,200,000	1,200,000	—	—
		5,500,000	1,200,000	1,200,000	5,500,000	—

No charge was recognised in the income statement in respect of the value of options granted during the year ended 31 December 2001.

The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised during the year ended 31 December 2001, was HK$0.47.

25. RESERVES

	Share premium	Contributed surplus	Deficit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
At 1 January 2001	87,984	50,492	(58,857)	79,619
Premium arising from issue of new shares	5,550	—	—	5,550
Conversion of convertible notes	3,600	—	—	3,600
Exercise of share options	808	—	—	808
Share issue expenses	(54)	—	—	(54)
Net loss for the year	—	—	(70,560)	(70,560)
At 1 January 2002	97,888	50,492	(129,417)	18,963
Exercise of share options	5	—	—	5
Net loss for the year	—	—	(33,132)	(33,132)
At 31 December 2002	97,893	50,492	(162,549)	(14,164)

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal value of the share capital issued by the Company to acquire the assets.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company has no reserves available for distribution to shareholders at the balance sheet dates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

26. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Balance at beginning of year	**—**	—
Arising on acquisition of subsidiaries	**127**	—
Exchange adjustment	**3**	—
Balance at end of year	**130**	—

The major components of deferred taxation (liability) asset at the balance sheet date, provided and unprovided, are as follows:

	Provided		Unprovided			
	THE GROUP		THE GROUP		THE COMPANY	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Tax effect of timing difference attributable to:						
Difference between tax allowances claimed for tax purposes and depreciation charged in the financial statements	**(238)**	—	**(38)**	672	**—**	—
Unutilised taxation losses	**—**	—	**1,822**	9,050	**1,313**	618
Other timing differences	**108**	—	**—**	—	**—**	—
	(130)	—	**1,784**	9,722	**1,313**	618

The potential deferred taxation asset has not been recognised in the financial statements as it is not certain whether the potential taxation benefits will be realised in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

26. DEFERRED TAXATION *(Continued)*

The major components of unprovided deferred taxation (charge) credit not recognised for the years are as follows:

	THE GROUP		THE COMPANY	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Tax effect of timing difference attributable to:				
Excess of tax allowances claimed for tax purposes over depreciation charged in the financial statements	**(38)**	(67)	**—**	(1)
Taxation losses arising (utilised)	**1,822**	562	**695**	(53)
Release on disposal of subsidiaries	**(9,722)**	—	**—**	—
	(7,938)	495	**695**	(54)

27. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired 89.7% interest in Masindo International Ltd. and 100% interest in Crystal Wines & Spirits Pte Ltd. for a consideration of HK$16,114,000 and HK$2,200,000 respectively, satisfied by cash.

	2002	2001
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	**5,921**	—
Inventories	**10,396**	—
Trade and other receivables	**16,291**	—
Pledged bank deposits	**4,936**	—
Bank balances and cash	**4,302**	—
Trade and other payables	**(22,723)**	—
Taxation payable	**(4)**	—
Bank overdrafts	**(6,278)**	—
Deferred taxation	**(127)**	—
Minority interest	**(842)**	—
	11,872	—
Goodwill	**6,442**	—
Total consideration satisfied by cash	**18,314**	—

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2002	2001
	HK$'000	*HK$'000*
Cash consideration	**18,314**	—
Bank and cash balances acquired	**(4,302)**	—
Bank overdrafts acquired	**6,278**	—
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**20,290**	—

The subsidiaries acquired during the year contributed HK$37,591,000 to the Group's turnover and operating profit of HK$637,000 to the Group's result for the year.

28. DISPOSAL OF SUBSIDIARIES

As referred to in note 7, the Group discontinued its toy manufacturing and distribution business at the time of disposal of RIL. The consolidated net assets of RIL at the date of disposal and at 31 December 2001 were as follows:

	8.10.2002	31.12.2001
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	**87,998**	91,122
Interests in associates	**1,530**	1,530
Intangible assets	**2,314**	2,732
Inventories	**22,036**	25,379
Trade and other receivables	**47,494**	27,938
Amount due from an associate	**1,587**	1,546
Bank balances and cash	**6,431**	11,052
Trade and other payables	**(59,102)**	(67,350)
Amount due to an associate	**(2,168)**	(2,168)
Amount due to a director	**(5,608)**	(498)
Taxation payable	**(1,507)**	(1,682)
Obligation under a finance lease	**(101)**	(151)
Borrowings	**(90,112)**	(65,112)
	10,792	24,338
Gain on disposal of subsidiaries	**14,208**	—
Total consideration satisfied by cash	**25,000**	—

Analysis of the net cash inflow in respect of the disposal of subsidiaries:

	2002	2001
	HK$'000	*HK$'000*
Cash consideration received	**25,000**	—
Bank and cash balances disposed of	**(6,431)**	—
	18,569	—

The subsidiaries disposed of during the year contributed HK$73,411,000 (2001: HK$112,944,000) to the Group's turnover and HK$11,278,000 (2001: HK$40,196,000) to the Group's loss from operations.

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2001, the Group entered into a finance lease arrangement in respect of assets with a total capital value at the inception of the lease of HK$210,000.

30. CONTINGENT LIABILITIES

The Company has given a corporate guarantee to a financial institution in respect of margin facilities granted to a subsidiary. No facility was utilised by the subsidiary as at 31 December 2002.

The Group has the following litigation during the year:

On 8 July 2002, a winding-up petition was filed by Mr. Kwok Chin Wing, a former director of the Company, against RIC Trading Limited (formerly known as "Rockapetta Industrial Company Limited"), in relation to his claim against RIC Trading Limited for the outstanding loan and interest due to him of approximately HK$52 million. RIC Trading Limited is a wholly owned subsidiary of RIL, which was disposed of by the Group on 8 October 2002. The directors taking into the advice from the legal counsel, are of the opinion that following the disposal of the subsidiary, the Group is unlikely to have any material adverse financial impact on its financial position due to the winding-up petition.

On 28 August 2002, the Company issued a writ of summons against Mr. Kwok Chin Wing and Mr. Yiu Kui Leung, the former directors of the Company, regarding the breach of their fiduciary duties as director for the payments of HK$25 million to Mr. Kwok Chin Wing in March 2000. No significant progress was noted regarding the litigation up to the date of this report. The directors are of the opinion that the outcome of this action will not have any material adverse impact on the financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2002	2001
	HK$'000	*HK$'000*
Minimum lease payments under operating leases during the year:		
Premises	**3,885**	1,487
Moulds	**29**	168
Total minimum lease payments paid	**3,914**	1,655

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases for premises which fall due as follows:

	The GROUP		**THE COMPANY**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**5,404**	618	**604**	618
In the second to fifth year inclusive	**913**	1,082	**213**	1,082
	6,317	1,700	**817**	1,700

Operating lease payments represent rentals payable by the Group and the Company for certain of its restaurants, warehouses and office premises. Leases are negotiated for an average term of three years and rentals are fixed during the lease period.

31. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

Property sub-lease income during the year was approximately HK$15,000 (2001: nil). The property has committed tenant for the next three years.

At the balance sheet date, the Group and the Company had contracted with tenant for the following future minimum lease payments:

	2002	2001
	HK$'000	*HK$'000*
Within one year	**175**	—
In the second to fifth year inclusive	**59**	—
	234	—

32. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to secure banking facilities and securities margin facilities granted to the Group:

	THE GROUP	
	2002	2001
	HK$'000	*HK$'000*
Leasehold land and buildings	**—**	79,083
Investments in securities	**7,603**	—
Bank deposits	**5,657**	2,579
	13,260	81,662

At 31 December 2001, the bank deposits of the Company was pledged to secure banking facilities granted to the Group. At 31 December 2002, the Company had no pledge of assets.

33. RETIREMENT BENEFITS SCHEME AND EMPLOYEE BENEFITS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the subsidiaries in Singapore are members of a state-managed retirement benefits scheme operated by the government of Singapore, the Central Provident Fund. The subsidiaries are required to contribute a specified percentage of payroll costs, depending on the age of individual employee and its nationality, to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Pursuant to an agreement signed on 18 September 2002, a conditional offer was granted to Mr. Lee Boon Par, a director of Crystal International Distributors Pte Ltd ("CID"), a wholly-owned subsidiary of the Company, to subscribe for 490,000 new shares in CID at par value of S$1 for a cash consideration of S$490,000 for the primary purpose of providing incentives to motivate him to pursue growth for CID. The conditional offer can be exercised upon the achievement of certain prescribed operating results of CID for the period from 1 January 2003 to 31 December 2004.

Pursuant to an agreement signed on 18 September 2002, a subscription offer (the "Subscription") was granted to Mr. Lee Chiang Choon Derek and Mr. Tan Wee Han, directors of Crystal Wines Pte Ltd ("CWP"), a wholly-owned subsidiary of the Company, to subscribe for 100,000 and 300,000 new shares respectively in the capital of CWP for cash at par value of S$1 each for the primary purpose of providing an incentive to them. Subsequent to 31 December 2002, both of them exercised their right to subscribe shares in full. Upon the exercise of their subscription, the Group's holding in CWP was diluted to 60%.

Pursuant to a service agreement dated 17 October 2002, Brewerkz Singapore Pte Ltd ("Brewerkz"), a non-wholly owned subsidiary of the Group, had granted (i) the Incentive Option and (ii) the Call Option to Mr. Devin Otto Kimble, a director of Brewerkz, who may exercise either the Incentive Option or the Call Option, subject to the fulfilment of certain conditions, for the period from 1 January 2005 to 31 December 2006.

Under the Incentive Option, Mr. Devin Otto Kimble is entitled to acquire 20% equity interest in Brewerkz held by the Group for a consideration of S$1.00. Under the Call Option, Mr. Devin Otto Kimble is granted the right to subscribe for new ordinary shares in Brewerkz, representing 10% of the enlarged share capital of Brewerkz upon exercise of the Call Option at an exercise price of S$0.30 per share.

34. RELATED PARTY DISCLOSURES

During the year, the Group had the following transaction and balances with related parties as follows:

Related party transactions

The significant transactions with related parties during the year are as follows:

Related party	Nature of transactions	THE GROUP 2002 HK$'000	THE GROUP 2001 HK$'000
JS Corporate Services Pte Ltd. *(note a)*	Consultancy fee expense *(note e)*	**144**	—
FJ Benjamin (HK) Limited *(note b)*	Premise rental expense *(note e)*	**222**	—
Rockapetta Toys Manufactory Co., Ltd. *(note c)*	Management service income *(note e)*	**54**	—
Kwok Chin Wing *(note d)*	Interest expense *(note f)*	**—**	1,033

Balances with related parties

	The GROUP 2002 HK$'000	The GROUP 2001 HK$'000	THE COMPANY 2002 HK$'000	THE COMPANY 2001 HK$'000
Amount due to a related company				
JS Corporate Services Pte Ltd. *(note a and g)*	**144**	—	**144**	—
Amount due to a director *(note h)*	**—**	498	**—**	—
Amount due from an associate *(note h)*	**—**	1,587	**—**	—
Amount due to an associate *(note h)*	**—**	2,168	**—**	—

Details of balances with the Company's subsidiaries are set out in note 15 to the financial statements.

34. RELATED PARTY DISCLOSURES *(Continued)*

Notes:

(a) JS Corporate Services Pte Ltd. is a company in which Ms. Chan Lay Hoon, an executive director, has beneficial interest.

(b) FJ Benjamin (HK) Limited is a company in which Mr. Lim Eng Hock ("Mr. Lim"), a substantial shareholder of the Company, held a beneficial interest. As announced on 24 March 2003, Mr. Lim ceased to be the substantial shareholder of the Company subsequently.

(c) Rockapetta Toys Manufactory Co., Ltd is a company of which Mr. Chan Sheung Wai, an executive director, is a director.

(d) Mr. Kwok Chin Wing is a former director of the Company.

(e) Premise rental expense, management service income and consultancy fee expense were mutually agreed with the relevant parties.

(f) Interest was charged at prime rate.

(g) The amount is unsecured, non-interest bearing and is repayable on demand.

(h) The amounts were unsecured, non-interest bearing and were released upon the disposal of toy manufacturing and distribution business during the year.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at end of year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

35. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2002 are as follows:

Name of subsidiary	Place of incorporation	Nominal value of issued and paid-up share capital	Attributable proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly	Indirectly	
Bestcorp Investments Inc.	British Virgin Islands	US$1 share	100%	—	Investment holding
Brewerkz Singapore Pte Ltd.	Singapore	S$3,500,000 ordinary shares	—	90%	Operation of brewery restaurant
Café Iguana Pte Ltd.	Singapore	S$100,000 ordinary shares	—	90%	Operation of bar restaurant
Crystal Wines & Spirits Pte Ltd.	Singapore	S$320,000 ordinary shares	—	100%	Sourcing, distribution and retailing of wines and spirits
Crystal International Distributors Pte Ltd.	Singapore	S$2 ordinary shares	—	100%	Inactive
Crystal Wines Pte Ltd.	Singapore	S$2 ordinary shares	—	100%	Inactive
Kimay Investment Limited	Hong Kong	HK$2 ordinary shares	100%	—	Securities trading and investments
Masindo International Ltd.	British Virgin Islands	US$2,301,000 shares	—	89.7%	Investment holding

35. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation	Nominal value of issued and paid-up share capital	Attributable proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly	Indirectly	
T G Capital Limited	British Virgin Islands	US$1 share	100%	—	Investment holding
T G Securities Limited	Hong Kong	HK$6,400,000 ordinary shares	—	100%	Inactive

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.