NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed by the shareholders on 22 May 2003, the name of the Company was changed from Rockapetta Holdings Limited 樂家集團有限公司 to Capital Prosper Limited 興旺行有限公司.

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 33.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP") and Interpretations approved by the HKSA.

Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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.

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.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold improvements	Over the shorter of the terms of the lease, or 5 years
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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset

Intangible asset is stated at cost less accumulated amortisation and accumulated impairment losses and is amortised on a straight-line basis over the estimated useful live.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the 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 unrealised gains and losses included in net profit or loss for the year.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded 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 Group's overseas operations are translated at 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.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

BUSINESS SEGMENTS

For management purposes, the Group is currently organised into two major operating divisions — trading of consumer products 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
Securities trading and investments	—	Trading and investing of marketable securities

In prior years, the Group was also carried on restaurants operation, and toy manufacturing and distribution. The restaurants operation was discontinued from 5 August 2003 upon the disposal of the Group's entire 89.7% interest in Masindo International Limited ("Masindo"), details of which are set out in note 7, whilst the operation of toy manufacturing and distribution was discontinued from 8 October 2002 upon the disposal of the Group's interest in RIL.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

An analysis of the Group's turnover, operating results, assets, liabilities and other information by business segment is presented below:

For the year ended 31 December 2003

	Continuing operations		Discontinuing operation	
	Consumer products trading	Securities trading and investments	Restaurants operation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	56,200	14,180	16,601	86,981
RESULT				
Segment result before amortisation of goodwill	(3,951)	(6,152)	(757)	(10,860)
Less: Amortisation of goodwill	—	—	(323)	(323)
Segment result	(3,951)	(6,152)	(1,080)	(11,183)
Other operating income				1,660
Unallocated corporate expenses				(6,568)
Loss from operations				(16,091)
Finance costs				(259)
Loss on disposal of subsidiaries				(6,236)
Loss before taxation				(22,586)
Income tax expense				—
Loss before minority interests				(22,586)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

At 31 December 2003

	Consumer products trading	Securities trading and investments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	13,504	13,152	26,656
Unallocated corporate assets			21,337
Consolidated total assets			47,993
LIABILITIES			
Segment liabilities	8,722	141	8,863
Unallocated corporate liabilities			1,877
Consolidated total liabilities			10,740

Other Information
For the year ended 31 December 2003

	Continuing operations		Discontinuing operation	
	Consumer products trading	Securities trading and investments	Restaurants operation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions				
Property, plant and equipment	274	34	145	453
Depreciation and amortisation				
Property, plant and equipment	265	124	757	1,146
Intangible asset	—	113	—	113
Goodwill	—	—	323	323
Impairment loss recognised in respect of intangible asset	—	320	—	320
Allowance for slow-moving and obsolete inventories	2,995	—	—	2,995
Loss on disposal of property plant and equipment	506	24	—	530

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

For the year ended 31 December 2002

	Continuing operations		Discontinuing operations		
	Consumer products trading	Securities trading and investments	Restaurants operation	Toy manufacturing and distribution	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	17,021	8,716	20,570	73,411	119,718
RESULT					
Segment result before amortisation of goodwill	295	(4,742)	470	(11,308)	(15,285)
Less: Amortisation of goodwill	—	—	(208)	—	(208)
Segment result	295	(4,742)	262	(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)
Income tax expense					(4)
Loss before minority interests					(8,191)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

At 31 December 2002

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

Other Information
For the year ended 31 December 2002

	Continuing operations		Discontinuing operations		
	Consumer products trading	Securities trading and investments	Restaurants operation	Toy manufacturing and distribution	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions					
Property, plant and equipment	7	512	484	938	1,941
Intangible asset	—	2,000	—	—	2,000
Depreciation and amortisation					
Property, plant and equipment	120	47	757	4,062	4,986
Intangible asset	—	167	—	418	585
Goodwill	—	—	208	—	208
Impairment loss recognised in respect of intangible asset	—	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 operation and consumer products trading business are carried out in Singapore and the securities trading and investments are carried out in Hong Kong. In prior year, the Group was also engaged in the toy manufacturing and distribution businesses which were discontinued from 8 October 2002 and the customers of the discontinuing operation were 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:

	2003 *HK$'000*	2002 *HK$'000*
Hong Kong	14,180	8,716
Singapore	72,801	37,591
North America	—	35,652
Europe	—	7,087
Other Asia Pacific regions	—	17,207
Others	—	13,465
	86,981	119,718

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	
	2003 *HK$'000*	2002 *HK$'000*	2003 *HK$'000*	2002 *HK$'000*
People's Republic of China	—	—	—	938
Hong Kong	14,864	29,782	34	2,512
Singapore	33,129	53,214	419	491
	47,993	82,996	453	3,941

5. LOSS FROM OPERATIONS

	2003 HK$'000	2002 HK$'000
Loss from operations has been arrived at after charging:		
Directors' remuneration *(Note 8)*	4,461	1,124
Other staff costs	12,320	23,128
Total staff costs	16,781	24,252
Depreciation and amortisation		
Owned assets	1,146	4,925
Asset under a finance lease	—	61
Goodwill (charged to other operating expenses)	323	208
Intangible asset (charged to other operating expenses)	113	585
	1,582	5,779
Auditors' remuneration		
Current year	514	384
(Over) underprovision in prior years	(16)	87
Allowance for slow-moving and obsolete inventories	2,995	—
Impairment loss recognised in respect of intangible asset (charged to other operating expenses)	320	1,000
Net unrealised holding loss on other investments (charged to other operating expenses)	—	3,560
Loss on disposal of property, plant and equipment	530	—
Cost of inventories recognised as expenses	67,268	90,908
Realised loss (gain) on disposal of other investments	1,172	(1,509)
and after crediting:		
Bank interest income	73	231
Dividend income from investments in listed securities	39	180
Net unrealised holding gain on other investments (included in other operating income)	449	—
Write back of allowance for bad and doubtful debts	470	—

Included in total staff costs is an aggregate amount of approximately HK$921,000 (2002: HK$1,084,000), in respect of retirement benefits scheme contributions paid or payable, net of nil (2002: nil) forfeited contribution, by the Group.

6. FINANCE COSTS

	2003 *HK$'000*	2002 *HK$'000*
Interest on:		
bank borrowings wholly repayable within five years	233	1,193
other loans wholly repayable within five years	26	1,139
a finance lease	—	11
	259	2,343

7. DISCONTINUING OPERATION

During the year, the Group disposed of its entire interest in Masindo and its subsidiaries for a cash consideration of HK$8,500,000 (the "Disposal"). Masindo and its subsidiaries are engaged in the operation of a microbrewery restaurants and bar restaurant in Singapore, details of the Disposal are set out in the circular of the Company dated 6 August 2003.

During the year ended 31 December 2002, the Group disposed of its entire interest in a subsidiary, RIL, together with its subsidiaries and associates, which were principally engaged in the toy manufacturing and distribution business.

The Disposal was completed on 5 August 2003 on which date control of Masindo was passed to the acquirer. The results of the restaurants operation for the period from 1 January 2003 to 5 August 2003, which have been included in the consolidated income statements, were as follows:

	Restaurants operation		Toy manufacturing and distribution
	1.1.2003 to 5.8.2003 *HK$'000*	1.6.2002 (date of acquisition) to 31.12.2002 *HK$'000*	1.1.2002 to 8.10.2002 *HK$'000*
Turnover	16,601	20,570	73,411
Other operating income	79	31	608
Operating costs	(17,358)	(20,127)	(85,327)
(Loss) profit from operations	(678)	474	(11,308)
Finance costs	(2)	—	(2,238)
Loss before taxation	(680)	474	(13,546)
Income tax expense	—	(4)	—
Loss for the period	(680)	470	(13,546)

7. DISCONTINUING OPERATION *(Continued)*

During the year, the restaurants operation contributed net cash inflow of HK$379,000 (1.6.2002-31.12.2002: HK$712,000) from the Group's operation, received HK$889,000 (1.6.2002-31.12.2002: paid HK$487,000) in respect of investing activities and paid HK$2,000 (1.6.2002-31.12.2002: nil) in respect of financing activities.

The carrying amounts of the assets and liabilities of the restaurants operation at the date of disposal, are disclosed in note 26.

The loss arising from the discontinuance of the restaurants operation of approximately HK$6,236,000 was determined based on the sale proceeds of the Disposal less the carrying amount of the consolidated net assets of Masindo. No tax charge or credit arose from the transaction.

8. DIRECTORS' REMUNERATION

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

	2003 *HK$'000*	2002 *HK$'000*
Fees		
Executive directors	2,000	100
Independent non-executive directors	120	140
	2,120	240
Other emoluments for executive directors		
Salaries and other benefits	2,329	854
Retirement benefits scheme contributions	12	30
	4,461	1,124

The emoluments of the directors were within the following bonds:

	2003 Number of directors	2002 Number of directors
Nil to HK$1,000,000	11	11
HK$1,500,001 to HK$2,000,000	1	—
	12	11

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.

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group included, four directors (2002: two directors) of the Company whose emoluments are set out in note 8 above. The emoluments of the remaining highest paid individuals were as follows:

	2003 *HK$'000*	2002 *HK$'000*
Salaries and other benefits	632	1,212
Retirement benefits scheme contributions	95	41
	727	1,253

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

10. INCOME TAX EXPENSE

The charge for prior year represented 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 incurred tax losses for both years.

The charge for the year can be reconciled to the loss before taxation per the income statement as follows:

	2003 *HK$'000*	2002 *HK$'000*
Loss before taxation	(22,586)	(8,187)
Tax at the Hong Kong Profits Tax tax rate of 17.5% (2002: 16%)	(3,952)	(1,310)
Tax effect of expenses that are not deductible in determining taxable profit	2,354	2,700
Tax effect of income that are not taxable in determining taxable profit	(292)	(4,518)
Tax effect of deferred tax assets not recognised	2,085	3,127
Effect of different tax rates of subsidiaries operating in other jurisdictions	(195)	5
Tax expense for the year	—	4

Details of deferred taxation are set out in note 24.

11. LOSS PER SHARE

The calculation of the loss per share is based on the net loss for the year of approximately HK$21,421,000 (2002: HK$8,412,000) and on 712,360,000 (2002: weighted average number of 712,358,521) shares in issue during the year.

No diluted loss per share has been presented for both years as the exercise of the share options of subsidiaries as set out in note 30, would result in a decrease in loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Restaurant equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At 1 January 2003	1,997	3,161	1,821	87	7,066
Exchange adjustments	(14)	(34)	12	(1)	(37)
Additions	143	74	236	—	453
Disposals	(291)	—	(561)	—	(852)
Eliminated on disposal of subsidiaries	(1,765)	(3,201)	(390)	(86)	(5,442)
At 31 December 2003	70	—	1,118	—	1,188
DEPRECIATION AND AMORTISATION					
At 1 January 2003	307	404	230	2	943
Exchange adjustments	—	(4)	6	—	2
Provided for the year	321	457	365	3	1,146
Disposals	(114)	—	(188)	—	(302)
Eliminated on disposal of subsidiaries	(492)	(857)	(170)	(5)	(1,524)
At 31 December 2003	22	—	243	—	265
NET BOOK VALUES					
At 31 December 2003	48	—	875	—	923
At 31 December 2002	1,690	2,757	1,591	85	6,123

13. INTANGIBLE ASSET

	Stock exchange trading right *HK$'000*
THE GROUP	
COST	
At 1 January 2003 and at 31 December 2003	2,000
AMORTISATION AND IMPAIRMENT	
At 1 January 2003	1,167
Provided for the year	113
Impairment loss recognised in the year	320
At 31 December 2003	1,600
NET BOOK VALUE	
At 31 December 2003	400
At 31 December 2002	833

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 approximately HK$320,000 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 2003 represented the estimated net selling price of the asset.

14. GOODWILL

	HK$'000
THE GROUP	
COST	
At 1 January 2003	6,442
Disposal of subsidiaries	(6,442)
At 31 December 2003	—
AMORTISATION	
At 1 January 2003	208
Provided for the year	323
Eliminated on disposal of subsidiaries during the year	(531)
At 31 December 2003	—
NET BOOK VALUE	
At 31 December 2003	—
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	
	2003 *HK$'000*	2002 *HK$'000*
Unlisted shares, at cost	—	—
Amounts due from subsidiaries	58,456	62,833
Less: Allowance for amounts due from subsidiaries	(22,020)	(5,800)
	36,436	57,033
Amount due to a subsidiary	—	12

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 was unsecured, non-interest bearing and was repayable on demand.

Details of the subsidiaries of the Company at 31 December 2003 are set out in note 33.

16. INVENTORIES

	THE GROUP	
	2003 *HK$'000*	2002 *HK$'000*
Finished goods	6,717	11,264
Food and beverages	—	1,048
	6,717	12,312

Included above are finished goods of HK$900,000 (2002: nil) which are carried at net realisable value.

17. 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$6,908,000 (2002: HK$12,135,000) and the aged analysis is as follows:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
0 to 60 days	5,060	11,617
61 to 90 days	732	237
Over 90 days	1,116	281
	6,908	12,135

18. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Other investments — listed equity securities		
Hong Kong	4,972	790
Overseas	7,100	22,324
Total classified as current assets	12,072	23,114
Market value of listed securities	12,072	23,114

The carrying value of overseas listed securities at 31 December 2003 included an amount of approximately HK$7,100,000 (2002: HK$10,985,000), representing 3.4% (2002: 5.0%) 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.

19. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$7,767,000 (2002: HK$9,777,000), and the aged analysis is as follows:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
0 to 60 days	6,736	7,901
61 to 90 days	335	910
Over 90 days	696	966
	7,767	9,777

20. BORROWINGS, SECURED

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Bank overdrafts	—	6,010
Other borrowings	—	1,774
	—	7,784

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

21. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.1 each at 1 January 2002 and at 1 January 2003	5,000,000,000	500,000
Subdivision of each unissued share into 10 shares of HK$0.01 each *(note a)*	45,000,000,000	—
Ordinary shares of HK$0.01 each at 31 December 2003	50,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each at 1 January 2002	712,300,000	71,230
Exercise of share options	60,000	6
Ordinary shares of HK$0.1 each at 31 December 2002	712,360,000	71,236
Capital reduction *(note b)*	—	(64,112)
Ordinary shares of HK$0.01 each at 31 December 2003	712,360,000	7,124

Pursuant to special resolutions passed by the shareholders of the Company in a special general meeting on 22 May 2003, the Company carried out the following capital reorganisation ("Capital Reorganisation"):

(a) The authorised share capital of the Company was increased from 5,000,000,000 shares to 50,000,000,000 shares by the creation of an additional 45,000,000,000 ordinary shares of HK$0.01 each;

(b) Nominal value of every issued and unissued share was reduced from HK$0.1 to HK$0.01 ("Capital Reduction");

(c) The entire amount in the share premium account of the Company at 31 December 2002 was cancelled ("Share Premium Reduction");

(d) The credit arising from the Capital Reduction and Share Premium Reduction was transferred to the contributed surplus account and HK$162,005,000 in the contributed surplus account was applied against the accumulated losses of the Company.

Details of the Capital Reorganisation were set out in the circular of the Company dated 5 May 2003.

22. 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 year 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.

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.

No options were granted, exercised, lapsed or outstanding during the year.

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 ended 31 December 2002.

Exercise period	Exercise price	Outstanding at 1.1.2002	Exercised during year	Outstanding at 31.12.2002
	HK$			
17/8/2002 to 27/1/2004	0.17	60,000	(60,000)	—

The closing price of the Company's shares on the date which the share options were exercised during the year ended 31 December 2002 was HK$0.52.

23. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY				
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 1 January 2003	97,893	50,492	(162,549)	(14,164)
Effect of capital reduction	—	64,112	—	64,112
Transfer of share premium	(97,893)	97,893	—	—
Transfer from contributed surplus to accumulated losses	—	(162,549)	162,549	—
Net loss for the year	—	—	(21,113)	(21,113)
At 31 December 2003	—	49,948	(21,113)	28,835

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, and the difference between the credit to contributed surplus arising from (a) capital reduction and (b) cancellation of share premium of the Company and the transfer from contributed surplus to accumulated losses of the Company.

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.

24. DEFERRED TAXATION

	Accelerated tax depreciation *HK$'000*	Others *HK$'000*	Total *HK$'000*
The Group			
At 1 January 2002	—	—	—
Acquisition of subsidiaries	(235)	108	(127)
Exchange differences	(3)	—	(3)
At 1 January 2003	(238)	108	(130)
Released on disposal of subsidiaries	238	(108)	130
At 31 December 2003	—	—	—

At the balance sheet date, the Group has unused tax losses of HK$20,208,000 (2002: HK$10,395,000) and the company has unused tax losses of HK$12,449,000 (2002: HK$7,551,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams.

25. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2002, the Group acquired 89.7% interest in Masindo and 100% interest in Crystal Wines & Spirits Pte Ltd. ("Crystal") for a consideration of HK$16,114,000 and HK$2,200,000 respectively.

	2003 *HK$'000*	2002 *HK$'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

25. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

	2003 *HK$'000*	2002 *HK$'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 ended 31 December 2002 contributed HK$37,591,000 to the Group's turnover and operating profit of HK$637,000 to the Group's result for that year.

26. DISPOSAL OF SUBSIDIARIES

As referred to in note 7, the Group discontinued its restaurants operation at the time of disposal of Masindo. The consolidated net assets of Masindo at the date of disposal and at 31 December 2002 were as follows:

	05.08.2003 *HK$'000*	31.12.2002 *HK$'000*
Net assets disposed of:		
Property, plant and equipment	3,918	4,579
Inventories	775	1,409
Trade and other receivables	2,383	2,542
Pledged bank deposits	—	451
Bank balances and cash	5,609	4,390
Trade and other payables	(2,571)	(1,976)
Deferred taxation	(130)	(130)
Minority interests	(1,083)	—
	8,901	11,265
Attributable goodwill	5,911	
Translation reserve realised	(76)	
	14,736	
Loss on disposal	(6,236)	
Total consideration satisfied by cash	8,500	

26. DISPOSAL OF SUBSIDIARIES *(Continued)*

Net cash inflow arising on disposal:

	2003
	HK$'000
Cash consideration received	8,500
Bank balances and cash disposed of	(5,609)
	2,891

The subsidiaries disposed of during the year contributed HK$16,601,000 (2002: HK$20,570,000) to the Group's turnover and operating loss of HK$678,000 (2002: operating profit of HK$474,000) to the Group's loss from operations.

27. CONTINGENT LIABILITIES

For year ended 31 December 2002, the Company had given a corporate guarantee to a financial institution in respect of margin facilities granted to a subsidiary. The guarantee was released during the year.

For year ended 31 December 2002, the Group has the following litigation:

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 was 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, were of the opinion that following the disposal of the subsidiary, the Group was 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 directors for the payments of HK$25 million to Mr. Kwok Chin Wing in March 2000. The litigation was withdrawn by the Company during the year.

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2003 *HK$'000*	2002 *HK$'000*
Minimum lease payments under operating leases during the year:		
Premises	1,600	3,885
Moulds	—	29
Total minimum lease payments paid	1,600	3,914

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

	THE GROUP		THE COMPANY	
	2003 *HK$'000*	2002 *HK$'000*	2003 *HK$'000*	2002 *HK$'000*
Within one year	621	5,404	147	604
In the second to fifth year inclusive	150	913	—	213
	771	6,317	147	817

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.

28. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

Property sub-lease income during the year was approximately HK$247,000 (2002: HK$15,000). The property has committed tenant for the coming year.

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

	2003 *HK$'000*	2002 *HK$'000*
Within one year	59	175
In the second to fifth year inclusive	—	59
	59	234

29. PLEDGE OF ASSETS

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

	THE GROUP	
	2003 *HK$'000*	2002 *HK$'000*
Investments in securities	—	7,603
Bank deposits	912	5,657
	912	13,260

At 31 December 2003, the Company had no pledge of assets.

30. 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 (the "CID 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 CID 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. The CID offer was not exercised up to 31 December 2003.

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. During the year ended 31 December 2003, both of them exercised their right to subscribe for 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.

During the year ended 31 December 2003, Brewerkz and its immediate holding company, Masindo, were disposed of by the Group.

31. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2003, the Group has undergone the following events:—

(i) The Group disposed of its entire interest in the issued share capital of Capital Bright International Limited for an aggregate consideration of HK$5,000,000.

(ii) The Group disposed of its entire interest in the issued share capital of T G Securities Limited for an aggregate consideration of HK$4,000,000. The agreement was signed on 8 December 2003 and the disposal was completed on 19 March 2004.

(iii) On 31 March 2004, a rights issue on the basis of one rights share for every two existing shares held by shareholders on the register of members on 5 March 2004 was allotted at an issue price of HK$0.05 per rights share, resulting in the issue of 426,180,000 shares at HK$0.05 each for a total cash consideration, before share issue expenses, of approximately HK$21.3 million.

(iv) The substantial shareholder of the Company, Charm Management Limited ("Charm") placed its 140,000,000 shares in the Company to independent investors at a price of HK$0.05 per share. Charm was allotted 140,000,000 new shares in the Company at the same price of HK$0.05 per share. The Company received net proceeds of HK$6.8 million from the placing and subscription of 140,000,000 shares by Charm.

32. 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 2003 *HK$'000*	THE GROUP 2002 *HK$'000*
JS Corporate Services Pte Ltd *(note a)*	Consultancy fee expense *(note d)*	1,132	144
FJ Benjamin (HK) Limited *(note b)*	Premise rental expense *(note d)*	—	222
Rockapetta Toys Manufactory Co., Ltd. *(note c)*	Management service income *(note d)*	—	54

32. RELATED PARTY DISCLOSURES *(Continued)*

Balances with related parties

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to a related company				
JS Corporate Services Pte Ltd *(notes a and e)*	—	144	—	144
Amounts due to directors				
Lam Lee G. *(note e)*	60	—	60	—
Ho Tat Kin *(note e)*	60	—	60	—
	120	—	120	—

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

Notes:

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

(b) FJ Benjamin (HK) Limited is a company in which Mr. Lim Eng Hock, a former substantial shareholder of the Company, has a beneficial interest.

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

(d) Premise rental expense, management service income and consultancy fee expense are mutually agreed between the relevant parties.

(e) The amounts are unsecured, non-interest bearing and are repayable on demand.

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

33. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2003 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
Crystal Wines & Spirits Pte Ltd.	Singapore	S$320,000 ordinary shares	—	100%	Sourcing, distribution and retailing of wines and spirits
Crystal Wines Pte Ltd.	Singapore	S$2 ordinary shares	—	60%	Inactive
Fine Brand Pte Ltd. (Previously known as "Crystal International Distributors Pte Ltd.")	Singapore	S$2 ordinary shares	—	100%	Inactive
Good Prosper Trading Ltd.	British Virgin Islands	US$1 share	100%	—	Investment holding
Grand Profit International Ltd.	Hong Kong	HK$2 ordinary share	100%	—	Investment holding
Kimay Investment Limited	Hong Kong	HK$2 ordinary shares	100%	—	Securities trading and investments
Capital Bright International Ltd	British Virgin Islands	US$1 share	100%	—	Securities trading
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.