

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2000

### **1. GENERAL INFORMATION**

The Company is an investment holding company. The Group's principal activities consist of the sale and marketing of gold jewellery products, and sale of computer scanners and computer equipment.

### **2. PRINCIPAL ACCOUNTING POLICIES**

#### **(a) Basis of preparation**

The financial statements on pages 13 to 51 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties and investments in securities.

For the year ended 31 December 2000, the Group incurred a loss of approximately HK\$20,936,000. At 31 December 2000, the Group's current liabilities exceeded its current assets by approximately HK\$112,037,000 and the net liabilities of the Group amounted to approximately HK\$106,008,000.

As of the current date, all the Group's banking facilities are frozen and the Group's bankers and other lender have demanded immediate payment of amounts due to them. While no formal debts restructuring agreement has been reached, except for those disclosed in note 22 to the financial statements, none of the Group's bankers and other lender have taken any legal action to enforce their security position against the Group.

Notwithstanding the foregoing, the financial statements have been prepared on a going concern basis, the validity of which is dependent upon:

- (a) the Group's bankers and other lender agreeing to a formal debts restructuring arrangement for the Group's debts; and
- (b) the Group succeeding in obtaining new working capital.

The Group is currently engaged in a number of negotiations with its bankers and other lender with a view to concluding a formal debts restructuring arrangement for the Group's debts, the outcome of which is uncertain at this stage.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### (a) Basis of preparation *(continued)*

The directors are of the opinion that the Group will be able to secure the ongoing support of its bankers and other lender, finalise the debts restructuring arrangement as mentioned above and obtain new working capital in order to enable the Group to continue as a going concern and meet its working capital and financing requirements for the foreseeable future. On this basis, the directors consider that it is appropriate to prepare the financial statements on a going concern basis. The financial statements however do not include any adjustments that would result if the aforementioned negotiations are not successful.

Had the going concern basis not been used, adjustments would have to be made to reclassify non-current assets as current assets and non-current liabilities as current liabilities, reduce the value of assets to their recoverable amounts and provide for any future liabilities which might arise.

#### (b) 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 intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds from the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

#### (c) Subsidiaries

Investments in subsidiaries are carried at cost less provision for permanent diminution in value where necessary.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### (d) Associated companies

An associated company is a company, other than a subsidiary, in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence on its financial and operating policy decisions.

The results of associated companies are accounted for by the Group using the equity method of accounting. The Group's investments in associated companies are stated at its share of net assets of the associated companies. The Company's investments in associated companies are stated at cost less provision for permanent diminution in value where necessary.

#### (e) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognised on a straight-line basis over the terms of respective leases.

#### (f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods longer than 20 years are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the investment property revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### (f) Investment properties *(continued)*

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining periods of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment property revaluation reserve to the income statement.

#### (g) Fixed assets

Land and buildings other than investment properties and properties under construction are stated at valuation. Fair value is determined by the directors based on independent valuations which are performed every three years. The valuations are on an open market basis related to individual properties and separate values are not attributed to land and buildings. In the intervening years, the directors review the carrying value of the other properties and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the other property revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Fixed assets are stated at cost or valuation less accumulated depreciation. Leasehold land is depreciated over the period of the lease while other tangible fixed assets are depreciated at rates sufficient to write off their cost or valuation over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Leasehold land	2%
Buildings	5%
Leasehold improvements	33 $\frac{1}{3}$ %
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### (g) Fixed assets *(continued)*

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts.

The gain or loss on disposal of an item of fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

#### (h) Assets under leases

##### (i) Finance leases

Leases are classified as finance leases whenever the terms of the leases transfer all the risks and rewards of ownership of assets to the Group. Assets under finance leases are capitalised at their fair value at the date of acquisition. The corresponding leasing commitments are shown as obligations to the lessor. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the periods of the respective leases.

##### (ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

#### (i) Investments in securities

Investment securities are securities which are intended to be held on a continuing basis for an identified long-term purpose. Investment securities are stated in the balance sheet at cost less any provision for diminution in value. Provisions are made when the fair value of such securities has declined below the carrying amounts, unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, or weighted average basis, comprises materials, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling price less all further costs of completion and the estimated costs necessary to make the sale.

#### (k) Deferred tax/future tax benefit

Deferred tax is provided, using the liability method, on all significant timing differences, other than those which are not expected to crystallise in the foreseeable future.

Future tax benefit is not recognised as an asset unless the benefit can be regarded as being virtually certain of realisation.

#### (l) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

The financial statements of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Profits and losses arising on exchange are dealt with as movements in reserves.

#### (m) Retirement benefit costs

The Group contributes to a defined contribution retirement scheme which is available to all employees. The assets of the schemes are held separately from those of the Group in an independently administered funds. The contributions are calculated as a percentage of employees' salaries and are expensed as incurred in the income statement. Other than mandatory provident fund contribution, the Group's contributions may be reduced by contributions forfeited by those employees who leave prior to vesting fully in the contribution.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### (n) Borrowing costs

Costs incurred on borrowings that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

#### (o) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

### 3. REVENUES, TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the sale and marketing of gold jewellery products, and sale of computer scanners and computer equipment. Revenues recognised during the year are as follows:

	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Sale of goods	<u>2,510</u>	<u>40,013</u>
<b>Turnover</b>	<b>2,510</b>	40,013
Interest income	<b>65</b>	429
Gross rental income from investment properties	<u>441</u>	<u>686</u>
<b>Other revenues</b>	<u>506</u>	1,115
<b>Total revenues</b>	<u><b>3,016</b></u>	<u>41,128</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 3. REVENUES, TURNOVER AND SEGMENT INFORMATION *(continued)*

An analysis of the Group's turnover and contribution to operating (loss)/profit for the year by principal activities and markets is as follows:

	Turnover		Operating (loss)/profit	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
<b>Principal activities:</b>				
Sale and marketing of gold jewellery products	1,645	8,666	(2,059)	(14,440)
Sale of computer scanners and computer equipment (discontinued)	865	11,280	(1,047)	(3,464)
Manufacturing and sale of pharmaceutical products (discontinued)	–	19,948	–	4,542
Sale of furniture	–	119	–	406
Others	–	–	(7,207)	(70,365)
	<u>2,510</u>	<u>40,013</u>	<u>(10,313)</u>	<u>(83,321)</u>

#### Principal markets:

Hong Kong	1,551	7,900	(8,679)	(85,520)
China	959	32,113	(1,634)	2,199
	<u>2,510</u>	<u>40,013</u>	<u>(10,313)</u>	<u>(83,321)</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 4. OPERATING LOSS

	2000 HK\$'000	1999 HK\$'000
<b>(a) Operating loss is arrived at after charging:-</b>		
Cost of inventories sold	6,983	18,522
Less: Provision for inventories written back upon disposal	<u>(5,425)</u>	<u>(1,349)</u>
Cost of sales	1,558	17,173
Add: Provision for slow-moving inventories	-	11,600
Less: Reversal of provision for slow-moving inventories as result of increase in net realisable value	<u>(259)</u>	<u>-</u>
Cost of inventories	1,299	28,773
Staff costs (including directors' remuneration)	6,824	12,770
Operating lease rentals of land and buildings	2,484	4,138
Depreciation:		
- owned fixed assets	491	1,808
- leased fixed assets	-	49
Net exchange loss	478	784
Auditors' remuneration		
- Current year	250	500
- Underprovision of previous year	19	-
Loss on disposal of fixed assets	175	135
Outgoings in respect of investment properties	97	46
Provision for doubtful debts	43	19,539
Provision for amounts due from associated companies	5	1,976
Loss on disposal of subsidiaries	-	27,297
Deficit on revaluation of investment properties	-	6,030
Research and development costs	-	6,153
Loss on disposal of an associated company	-	3,079
Provision for impairment in value of investment securities	-	1,818
Amortisation of intangible assets	-	1,757
Amortisation of land use rights	-	59
Unrealised loss on other investments	-	2
<b>and crediting:-</b>		
Gain on disposal of subsidiaries	<u>3,255</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 4. OPERATING LOSS *(continued)*

#### (b) Discontinued operations

On 5 November 1999, the Group sold its pharmaceutical products manufacturing operation in order to reduce the Group's indebtedness level. The loss of HK\$27,297,000, which was the difference between the proceeds from the sale of the operation and the net carrying amount of the assets and liabilities of the operation at the date of sale, was included in the operating loss in 1999.

On 23 May 2000, in view of substantial losses and extreme competition, the Directors announced their intention to sell the Group's computer equipment retail operation in order to reduce the Group's indebtedness level. The operation was sold with effect on 13 July 2000. The profit of HK\$3,255,000, which was the difference between the proceeds from the sale of the operation and the net carrying amount of the assets and liabilities of the operation at the date of sale, was included in the operating loss. The contribution to turnover and the loss from ordinary activities in respect of the discontinued operation, accounted for up to the date of discontinuance, were as follows:

	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Turnover	<u>865</u>	<u>31,228</u>
Loss from ordinary activities	<u>(1,301)</u>	<u>(242)</u>

### 5. FINANCE COSTS

	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<b>10,329</b>	10,529
Interest on other borrowing and loans wholly repayable within five years	<b>562</b>	3,365
Interest element of finance lease rental payments	<u>—</u>	<u>19</u>
	<u><b>10,891</b></u>	<u>13,913</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 6. TAXATION

The amount of taxation charged to the consolidated income statement represents:

	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
China income tax (b)	–	(494)
Share of taxation attributable to an associated company	–	(72)
	<u>–</u>	<u>(566)</u>

- (a) No provision for Hong Kong profits tax has been made as there are no assessable profit for the year.
- (b) The former subsidiary operating in China was a Sino-foreign joint venture which was entitled to be exempted from paying China income tax for the first two profit-making years followed by a 50% reduction in the income tax rates in the following three years. China income tax was provided for with reference to the applicable rate of 15% on the estimated assessable profits of the joint venture for the previous year.
- (c) Deferred taxation for the year has not been provided in respect of the following:

	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Accelerated depreciation allowances	<b>4</b>	(86)
Tax losses	<b>39,820</b>	(2,246)
	<u><b>39,824</b></u>	<u>(2,332)</u>

### 7. LOSS FOR THE YEAR

The loss for the year is dealt with in the financial statements of the Company to the extent of HK\$19,320,000 (1999: HK\$66,714,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 8. LOSS PER SHARE

#### (a) Basic

The calculation of basic loss per share is based on the Group's loss attributable to the shareholders for the year of HK\$20,936,000 (1999: HK\$97,169,000) and the weighted average of 730,800,000 (1999: 730,800,000) ordinary shares in issue during the year.

#### (b) Diluted

Diluted loss per share is not shown for both of the years presented as full exercise of the share options granted by the Company would have an anti-dilutive effect on the loss per share. The options granted by the Company expired during the year.

### 9. PENSION COSTS

The pension costs charged to the income statement of HK\$8,427 (1999: Nil) represent contributions paid and payable by the Group to a defined contribution retirement scheme.

Contributions totalling HK\$8,427 (1999: Nil) were payable to the scheme at the year end and are included in "other payables". No unutilised forfeited contributions were available at the year end (1999 : Nil) to reduce future contributions.

### 10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

#### (a) Directors' remuneration

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Fees	<b>120</b>	120
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	<b>1,519</b>	2,389
Retirement scheme contribution	<b>3</b>	—
	<b>1,642</b>	2,509

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

#### (a) Directors' remuneration *(continued)*

Directors' fees of HK\$120,000 (1999: HK\$120,000) were paid to independent non-executive directors of the Company.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2000	1999
HK\$Nil – HK\$1,000,000	<u>10</u>	<u>14</u>

During the year, no options had been exercised by the directors and the options expired during the year.

No directors waived any emoluments in respect of the year ended 31 December 2000 (1999: NIL).

#### (b) Five highest paid individuals

The aggregate amounts of the emoluments paid to the five highest paid individuals of the Group whose emoluments have not been disclosed in the directors' emoluments noted above are as follows:–

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	1,291	1,273
Compensation for loss of office contractual payments	<u>916</u>	<u>–</u>
	<u>2,207</u>	<u>1,273</u>

The number of the five highest paid individuals whose emoluments have not been disclosed in the directors' emoluments noted above and fell within the following band is as follows:

Emolument bands	Number of individuals	
	2000	1999
HK\$Nil – HK\$1,000,000	<u>3</u>	<u>4</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 11. FIXED ASSETS

#### Group

	Investment properties	Land and buildings	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>							
At 1 January 2000	9,970	-	350	1,475	560	1,285	13,640
Additions	-	-	-	11	-	-	11
Disposals	-	-	(3)	(335)	(15)	-	(353)
Disposal of subsidiaries	-	-	(347)	(614)	(197)	-	(1,158)
Reclassification	(9,970)	9,970	-	-	-	-	-
<b>At 31 December 2000</b>	<b>-</b>	<b>9,970</b>	<b>-</b>	<b>537</b>	<b>348</b>	<b>1,285</b>	<b>12,140</b>
<b>Accumulated depreciation</b>							
At 1 January 2000	-	-	213	796	297	725	2,031
Charge for the year	-	29	35	155	73	199	491
Disposals	-	-	(2)	(167)	(5)	-	(174)
Disposal of subsidiaries	-	-	(246)	(343)	(105)	-	(694)
<b>At 31 December 2000</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>441</b>	<b>260</b>	<b>924</b>	<b>1,654</b>
<b>Net book value</b>							
<b>At 31 December 2000</b>	<b>-</b>	<b>9,941</b>	<b>-</b>	<b>96</b>	<b>88</b>	<b>361</b>	<b>10,486</b>
At 31 December 1999	9,970	-	137	679	263	560	11,609
The analysis of the cost or valuation at 31 December 2000 of the above assets is as follows:							
At cost	-	-	-	537	348	1,285	2,170
At valuation - 1999	-	9,970	-	-	-	-	9,970
	-	9,970	-	537	348	1,285	12,140

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 11. FIXED ASSETS *(continued)*

The leasehold land and buildings are situated in Hong Kong and held under long term leases.

At 31 December 2000, the net book value of leasehold land and buildings pledged as security for the Group's bank borrowings amounted to HK\$9,941,000.

#### Company

	<b>Office equipment</b>	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost</b>				
At 1 January 2000	511	91	1,089	1,691
Additions	8	–	–	8
Disposals	(86)	–	–	(86)
<b>At 31 December 2000</b>	<b>433</b>	<b>91</b>	<b>1,089</b>	<b>1,613</b>
<b>Accumulated depreciation</b>				
At 1 January 2000	390	89	639	1,118
Charge for the year	66	2	150	218
Disposals	(85)	–	–	(85)
<b>At 31 December 2000</b>	<b>371</b>	<b>91</b>	<b>789</b>	<b>1,251</b>
<b>Net book value</b>				
<b>At 31 December 2000</b>	<b>62</b>	<b>–</b>	<b>300</b>	<b>362</b>
At 31 December 1999	121	2	450	573

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 12. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares, at cost	<b>27,255</b>	27,255
<i>Less:</i> Provision for diminution in value	<b>(27,255)</b>	(27,255)
	-	-
Amounts due from subsidiaries	<b>344,460</b>	342,678
<i>Less:</i> Provision for doubtful amounts	<b>(344,460)</b>	(342,678)
	-	-
Amounts due to subsidiaries	<b>(14,808)</b>	(13,639)
	<b>(14,808)</b>	(13,639)

Particulars of the principal subsidiaries at 31 December 2000 are as follows:

<u>Name</u>	<u>Place of incorporation</u>	<u>Principal activities and place of operation</u>	<u>Particulars of issued share capital/ registered capital</u>	<u>Interest held</u>	
				<b>2000</b>	1999
Full Bright International Limited	New York, U.S.A.	Dormant in U.S.A.	US\$183,750	100%	100%
Fu Hui Jewellery & Goldsmith Company Limited	Hong Kong	Jewellery retailing and wholesaling in Hong Kong	2,000,000 ordinary shares of HK\$1 each	100%	100%
Fu Hui Properties Limited	Hong Kong	Dormant in Hong Kong	5,000,000 ordinary shares of HK\$1 each	100%	100%



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 12. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held	
				2000	1999
Famous (HK) Development Limited	Hong Kong	In the process of winding up in Hong Kong (Note 22)	500,000 ordinary shares of HK\$1 each	100%	100%
Jumbo Hall International Limited	Hong Kong	Property holding in Hong Kong	2 ordinary shares of HK\$1 each	100%	100%
Fu Hui Investments Limited	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK\$1 each	100%	100%
Polygain (HK) Investment Limited	Hong Kong	Dormant in Hong Kong	2 ordinary shares of HK\$1 each	100%*	100%*
Winfile Limited	Hong Kong	Jewellery retailing and wholesaling in Hong Kong and China	10,000 ordinary shares of HK\$1 each	64%*	64%*
LinkWorks Technologies Limited**	Hong Kong	Sale of computer scanners and computer equipment in Hong Kong	500,000 ordinary shares of HK\$ 1 each	–	60%*
Gamma Technologies Company Limited**	China	Sale of computer scanners and accessories in China	RMB100,000	–	60%*

\* Held through subsidiaries

\*\* Disposed of during the year

## NOTES TO THE FINANCIAL STATEMENTS

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### 13. INVESTMENTS IN ASSOCIATED COMPANIES

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	-	-	4	4
Share of net assets	-	-	-	-
Amounts due from associated companies	<b>3,733</b>	3,736	<b>3,733</b>	3,739
	<b>3,733</b>	3,736	<b>3,737</b>	3,743
Less: Provision	<b>(3,733)</b>	(3,736)	<b>(3,737)</b>	(3,743)
	-	-	-	-

Particulars of the principal associated companies at 31 December 2000 are as follows:

<b>Name</b>	<b>Place of incorporation and business</b>	<b>Principal activities</b>	<b>Particulars of issued share capital</b>	<b>Interest held</b>	
				<b>2000</b>	1999
Real Wide Limited	Hong Kong	Dormant	10,000 ordinary shares of HK\$1 each	<b>45%</b>	45%
Goldteco Limited*	Hong Kong	Dissolved	10,000 ordinary shares of HK\$1 each	-	27%#

# Held through a subsidiary

\* Dissolved during the year

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 14. INVESTMENT SECURITIES

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Unlisted investments, at cost	<b>1,818</b>	1,818	<b>1,818</b>	1,818
Less: Provision for impairment in value	<b>(1,818)</b>	(1,818)	<b>(1,818)</b>	(1,818)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	-	-	-	-

### 15. INVENTORIES

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Finished goods	<b>1,222</b>	2,199
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	<b>1,222</b>	2,199

As at 31 December 2000, the carrying amount of inventories that are carried at net realisable value amounted to HK\$1,222,000 (1999: HK\$2,199,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 16. AMOUNTS DUE FROM RELATED COMPANIES

	Maximum outstanding during the year  <i>HK\$'000</i>	Group		Company	
		2000	1999	2000	1999
		<b>HK\$'000</b>	<i>HK\$'000</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Fujian Group Limited (notes a and b)	748	<b>73</b>	748	<b>73</b>	748
Fu Hui Jewellery Company Limited (notes a and c)	529	<b>529</b>	529	<b>529</b>	529
		<b>602</b>	1,277	<b>602</b>	1,277
Less: Provision for doubtful amount		<b>(529)</b>	(529)	<b>(529)</b>	(529)
		<b>73</b>	748	<b>73</b>	748

- (a) The amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.
- (b) The amount due from Fujian Group Limited represents a partial rental deposit to be refunded upon the termination of the lease of the office premises. Mr. So Sik, a director of the Company, has a beneficial interest in Fujian Group Limited.
- (c) Mr. Wu Jian Rong, a director of the Company, is the assistant general manager of Fujian Jewellery Import and Export Corporation ("Fujian Jewellery"). Fujian Jewellery is a substantial shareholder of the Company and has 50% equity interests in the capital of Fu Hui Jewellery Company Limited.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 17. TRADE RECEIVABLES

As at 31 December 2000, the ageing analysis of the trade receivables (net of specific provision for bad and doubtful debts) was as follows:

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current – 3 months	–	390
3 – 6 months	–	1,529
6 – 12 months	<b>166</b>	383
Over 1 year	<b>280</b>	105
	<hr/> <b>446</b> <hr/>	<hr/> 2,407 <hr/>

### 18. TRADE AND OTHER PAYABLES

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade payables ( <i>Note</i> )	<b>23</b>	2,420	–	–
Other accounts payables	<b>14,856</b>	7,472	<b>13,423</b>	5,860
Accruals	<b>122</b>	133	<b>122</b>	133
	<hr/> <b>15,001</b> <hr/>	<hr/> 10,025 <hr/>	<hr/> <b>13,545</b> <hr/>	<hr/> 5,993 <hr/>

*Note:*

As at 31 December 2000, the ageing analysis of the trade payables was as follows:

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current – 3 months	–	273
3 – 6 months	–	321
6 – 12 months	–	1,627
Over 1 year	<b>23</b>	199
	<hr/> <b>23</b> <hr/>	<hr/> 2,420 <hr/>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 19. SHARE CAPITAL

		Company	
		2000	1999
	Number of shares	HK\$'000	HK\$'000
Authorised:-			
Ordinary shares of HK\$0.10 each	<u>1,000,000,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:-			
Ordinary shares of HK\$0.10 each	<u>730,800,000</u>	<u>73,080</u>	<u>73,080</u>

#### Share options

On 13 September 1990, the Company adopted a share option scheme under which the Directors might, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The maximum number of shares in respect of which options might be granted was limited to 10% of the share capital of the Company in issue from time to time. The scheme was to remain in force for a period of 10 years from the date of its adoption. No options were granted and the share option scheme expired during the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 20. RESERVES

#### Group

	Share premium <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Exchange reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	368,469	46	42	(429,452)	(60,895)
Realisation upon disposal of a subsidiary	–	–	(42)	–	(42)
Net loss for the year	–	–	–	(97,169)	(97,169)
At 31 December 1999	368,469	46	–	(526,621)	(158,106)
At 1 January 2000	368,469	46	–	(526,621)	(158,106)
Realisation upon disposal of a subsidiary	–	(46)	–	–	(46)
Net loss for the year	–	–	–	(20,936)	(20,936)
<b>At 31 December 2000</b>	<b>368,469</b>	<b>–</b>	<b>–</b>	<b>(547,557)</b>	<b>(179,088)</b>
Company and subsidiaries	368,469	–	–	(547,552)	(179,083)
Associated company	–	–	–	(5)	(5)
	368,469	–	–	(547,557)	(179,088)

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Net loss for the year of HK\$20,936,000 (1999: HK\$97,169,000) has not included any profit (1999: HK\$407,000) attributable to an associated company.

#### Company

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	368,469	(428,110)	(59,641)
Net loss for the year	–	(66,714)	(66,714)
At 31 December 1999	368,469	(494,824)	(126,355)
At 1 January 2000	368,469	(494,824)	(126,355)
Net loss for the year	–	(19,320)	(19,320)
<b>At 31 December 2000</b>	<b>368,469</b>	<b>(514,144)</b>	<b>(145,675)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 21. BANK LOANS AND OTHER BORROWING

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Bank overdrafts	<b>14,217</b>	11,958	<b>7,999</b>	7,325
Trust receipt loans	<b>32,034</b>	33,624	<b>7,980</b>	7,980
Bank loans	<b>30,026</b>	30,036	<b>25,457</b>	25,433
Other borrowing	<b>3,500</b>	3,500	<b>3,500</b>	3,500
	<b>79,777</b>	79,118	<b>44,936</b>	44,238
Amounts repayable on demand or within one year classified as current liabilities	<b>75,320</b>	68,263	<b>40,643</b>	35,381
Non-current portion	<b>4,457</b>	10,855	<b>4,293</b>	8,857
Representing:				
Secured				
– bank loans and overdrafts	<b>31,850</b>	31,177	<b>31,850</b>	31,177
Unsecured				
– bank loans and overdrafts	<b>44,427</b>	44,441	<b>9,586</b>	9,561
– other borrowing	<b>3,500</b>	3,500	<b>3,500</b>	3,500
	<b>79,777</b>	79,118	<b>44,936</b>	44,238

- (a) At 31 December 2000, the Group's bank overdrafts, trust receipt loans, bank loans and other borrowing were repayable as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Within one year	<b>75,320</b>	68,263	<b>40,643</b>	35,381
In the second year	<b>2,190</b>	6,070	<b>2,026</b>	4,235
In the third to fifth year	<b>2,267</b>	4,785	<b>2,267</b>	4,622
	<b>79,777</b>	79,118	<b>44,936</b>	44,238



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 21. BANK LOANS AND OTHER BORROWING *(continued)*

- (b) Unsecured other borrowing bears interest at 16% (1999: 16%) per annum.
  
- (c) Demand letters dated 11 March 1999, 12 July 1999 and 3 September 1999 were issued by solicitors acting for Sin Hua Bank Limited against Fu Hui Investments Limited, a wholly-owned subsidiary of the Company, as borrower claiming for the repayment of the overdue trust receipt loans and bank overdraft in the sum of HK\$21,565,000. A demand letter dated 31 July 1999 was also issued by Sin Hua Bank Limited against the Company as the guarantor for the above borrowing.
  
- (d) A demand letter dated 16 April 1999 was issued by solicitors acting for The Yien Yieh Commercial Bank Limited ("Yien Yieh Bank") against the Company as the first principal claiming the repayment of the instalment loans, bank overdraft and trust receipt loans in the sum of HK\$30,862,000. A demand letter dated 10 June 1999 was also issued by Yien Yieh Bank against Fu Hui Jewellery and Goldsmith Company Limited, a wholly-owned subsidiary of the Company, as the second principal in this regard.

A demand letter dated 3 May 2000 was issued by Yien Yieh Bank against the Company as the first principal demanding for the repayment of the instalment loans, bank overdraft and trust receipt loans (the "Yien Yieh facilities") totalling HK\$34,718,000. A demand letter dated 3 May 2000 was also issued by Yien Yieh Bank against Jumbo Hall International Limited, a wholly-owned subsidiary of the Company, as the mortgagor. The Yien Yieh facilities are secured by the properties of Jumbo Hall International Limited. In addition, the Yien Yieh facilities are secured by personal guarantee executed by Mr. So Sik and a letter of comfort executed by Fujian Jewellery. The directors have been in the process of continuous negotiations with Yien Yieh Bank in restructuring the outstanding borrowing. As at the date of approval of these financial statements, despite that there was no documentary evidence in respect of the outcome of the negotiations, the Group has not been notified of any actions including legal proceedings instituted against the Group.

- (e) A demand letter dated 17 August 1999 was issued by solicitors acting for Bank of China (Singapore Branch) against the Company claiming the repayment of the overdue term loan of US\$1,300,000 including interest thereon.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 21. BANK LOANS AND OTHER BORROWING *(continued)*

- (f) On 28 April 2000, Fu Hui Investments Limited, a wholly-owned subsidiary of the Company, received a letter from solicitors acting for The Hongkong Chinese Bank Limited ("HK Chinese Bank") demanding for full repayment of the overdue instalment loan (the "HK Chinese Bank facilities") totalling HK\$4,569,000. The HK Chinese Bank facilities are secured by corporate guarantee executed by the Company to the extent of HK\$5,000,000. The directors have been in the process of continuous negotiations with HK Chinese Bank in restructuring the outstanding borrowing. As at the date of approval of these financial statements, despite that there was no documentary evidence in respect of the outcome of the negotiations, the Group has not been notified of any actions including legal proceedings instituted against the Group.

### 22. OTHER LOANS

Other loans represent amounts repayable on demand due to securities brokers by Famous (HK) Development Limited ("Famous HK"), a wholly-owned subsidiary of the Company and no interest is charged to the income statement this year (1999: 7.375% to Hong Kong prime rate plus 6% per annum). Several writs were issued in the High Court of Hong Kong by securities brokers as follows:

- (a) A writ dated 3 February 1999 was issued in the High Court of Hong Kong by Bank Austria AG against Famous HK in relation to the debt in the sum of HK\$20,361,000. A winding up petition dated 10 June 1999 was issued against Famous HK in relation to the remaining balance of the debt in the sum of HK\$16,324,000. On 21 July 1999, Famous HK had been ordered to be wound up by the High Court of Hong Kong and a provisional liquidator had been appointed in this regard. As at the date of approval of these financial statements, the Group has not been notified of the anticipated completion date of dissolution of Famous HK.
- (b) A writ dated 15 February 1999 was issued in the High Court of Hong Kong by Core Pacific-Yamaichi Securities (HK) Limited against Famous HK claiming for HK\$2,861,000, being the outstanding balance of the margin trading account.
- (c) A writ dated 20 April 1999 was issued in the High Court of Hong Kong by China Everbright Finance Limited against Famous HK claiming for HK\$3,631,000, being the outstanding balance of the margin trading account.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 23. DEFERRED TAXATION

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	<b>12</b>	12
Disposal of a subsidiary	<b>(12)</b>	–
<b>At 31 December</b>	<b>–</b>	12

No deferred tax asset has been recognised in the financial statements as the directors are uncertain whether this asset will crystallise. The amount of the unprovided deferred tax is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Accelerated depreciation allowances	<b>(4)</b>	(8)	<b>24</b>	6
Tax losses	<b>(26,170)</b>	(65,990)	<b>(18,793)</b>	(18,793)
	<b>(26,174)</b>	(65,998)	<b>(18,769)</b>	(18,787)

The revaluation of investment properties in previous years did not constitute a timing difference for deferred taxation purposes as realisation of the revaluation surplus would not result in a tax liability.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2000 HK\$'000	1999 HK\$'000
Operating loss	(10,313)	(83,321)
Interest income	(65)	(429)
Depreciation	491	1,857
Amortisation of intangible assets	–	1,757
Amortisation of land use rights	–	59
Amortisation of deferred expenses	–	1
Deficit on revaluation of investment properties	–	6,030
Loss on disposal of an associated company	–	3,079
Provision for impairment in value of investment securities	–	1,818
Unrealised loss on other investments	–	2
Loss on disposal of fixed assets	175	135
Provision for doubtful debts	43	19,539
Reversal of provision for slow-moving inventories	(259)	–
Provision for slow-moving inventories	–	11,600
Provision for amounts due from associated companies	5	1,976
(Gain)/ Loss on disposal of subsidiaries	(3,255)	27,297
Decrease in inventories	1,051	4,384
Decrease in trade receivables	467	3,017
Decrease in prepayments, deposits and other receivables	1,278	1,991
Decrease in amounts due from related companies	675	2,066
Increase/ (decrease) in trade and other payables	409	(6,082)
Increase in amount due to a related company	–	37
	<hr/>	<hr/>
Net cash outflow from operating activities	<b>(9,298)</b>	<b>(3,187)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

#### (b) Analysis of changes in financing during the year

	Share capital including premium <i>HK\$'000</i>	Bank loans, other borrowing and other loans <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>
At 1 January 1999	441,549	87,160	197
New loans borrowed	–	5,186	–
Repayment of amounts borrowed	–	(19,850)	(197)
Disposal of subsidiaries	–	(14,951)	–
At 31 December 1999	<u>441,549</u>	<u>57,545</u>	<u>–</u>
At 1 January 2000	441,549	57,545	–
Repayment of amounts borrowed	–	(35)	–
Effect of foreign exchange rates	–	25	–
<b>At 31 December 2000</b>	<b><u>441,549</u></b>	<b><u>57,535</u></b>	<b><u>–</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

#### (c) Disposal of subsidiaries

	2000 HK\$'000	1999 HK\$'000
<b>Net (liabilities)/assets disposed of:</b>		
Fixed assets	464	21,587
Trade receivables	1,451	7,746
Intangible assets	–	12,070
Prepayments, deposits and other receivables	238	747
Inventories	185	1,174
Cash at banks and in hand	17	1,531
Trade and other payables	(3,460)	(1,388)
Trust receipt loans	(1,590)	–
Bank overdrafts	(470)	–
Deferred taxation	(12)	–
Construction in progress	–	155
Land use rights	–	1,879
Other investments	–	17,431
Amount due from a related company	–	13,336
Loan to minority interests	–	5,515
Bank loans	–	(14,018)
Amount due to a subsidiary	–	(17,431)
Other borrowings	–	(933)
Minority interests	268	(1,552)
	<b>(2,909)</b>	47,849
Capital reserves realised upon disposal	(46)	–
Exchange reserves realised upon disposal	–	(42)
Gain/ (Loss) on disposal	3,255	(27,297)
	<b>300</b>	20,510
<b>Satisfied by:</b>		
Cash	300	20,510

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

#### (c) Disposal of subsidiaries *(continued)*

	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Analysis of the net cash inflow in respect of the disposal of subsidiaries :		
Cash consideration	<b>300</b>	20,510
Cash at banks and in hand disposed of	<b>(17)</b>	(1,531)
Trust receipt loans disposed of	<b>1,590</b>	–
Bank overdrafts disposed of	<b>470</b>	–
	<hr/> <b>2,343</b> <hr/>	<hr/> 18,979 <hr/>
Net cash inflow in respect of the disposal of subsidiaries	<b>2,343</b>	18,979

### 25. CONTINGENT LIABILITIES

	<b>Group</b>		<b>Company</b>	
	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Guarantees for bank loans and overdrafts of subsidiaries	–	–	<b>32,368</b>	34,862
Guarantees for trust receipt loans and bank overdrafts of a former subsidiary	<b>2,060</b>	–	<b>2,060</b>	–
	<hr/> <b>2,060</b> <hr/>	<hr/> – <hr/>	<hr/> <b>34,428</b> <hr/>	<hr/> 34,862 <hr/>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

### 26. COMMITMENTS

At 31 December 2000, the Group had commitments to make payments for land and buildings in the next twelve months under operating leases which expire as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Within one year	–	2,062	–	1,463
In the second to fifth year inclusive	–	660	–	659
	–	2,722	–	2,122

### 27. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions, in addition to those disclosed in note 16 to the financial statements, which were carried out in the normal course of the Group's business:

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Management fee payable to Fujian Group Limited (a)	<b>892</b>	996
Office rent and management fee payable to Fujian Group Limited (a)	<b>2,179</b>	2,046
Loan borrowed from Fujian Jewellery (b)	–	37
Interest received from Nanjing Zhenxing (c)	–	307

- (a) Mr. So Sik, a director of the Company, has a beneficial interest in Fujian Group Limited. The management fee, office rent and management fee are payable at a monthly charge agreed in each year.
- (b) Mr. Wu Jian Rong, a director of the Company, is the assistant general manager of Fujian Jewellery. Fujian Jewellery is a substantial shareholder of the Company. The loan from Fujian Jewellery is unsecured, interest free and repayable on demand.
- (c) Nanjing Zhenxing held 12% equity interests in a former non wholly-owned subsidiary of the Group. The loan was unsecured, interest bearing at 10.8864% per annum and had no fixed terms of repayment. The former non wholly-owned subsidiary of the Group was disposed of to an independent third party in the last financial year.



## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2000

### **28. COMPARATIVE FIGURES**

Where necessary, certain comparative figures have been reclassified to conform with changes in presentation in the current year.

### **29. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements on pages 13 to 51 were approved by the Directors on 20 April 2001.