

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

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.

2. RESTRUCTURING

During the year, the Group implemented a restructuring plan in order to strengthen the capital base of the Company, to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern. Details of the restructuring plan are set out in the Company's circular dated 21 August 2001 and mainly involved the following:

(a) Investment Agreements

On 20 July 2001, the Company entered into certain investment agreements (the "Investment Agreements") with China Merit Limited, Green Dynamics Investment Co., Ltd., and Precious Gold Holdings Limited, (collectively the "Investors") under which the Investors agreed to subscribe for an aggregate 1,000 million shares in the Company at HK\$0.10 each.

(b) Compromise Agreements

On 20 July 2001, the Group entered into certain compromise agreements (the "Compromise Agreements") with its bankers (the "Bank Group") for debt restructuring under which all the secured and unsecured indebtedness (including any interest accrued thereon) owed by the Group to the Bank Group were to be released, discharged and fully settled.

Pursuant to the Compromise Agreements, the Bank Group had agreed to release and fully discharge the Group from all liabilities under the secured and unsecured indebtedness upon payment in full of HK\$51 million to the Bank Group. Upon the payment of HK\$7.7 million, a member of the Bank Group also agreed to release and discharge the mortgage on the Group's property.

The restructuring plan (including the Investment Agreements and the Compromise Agreements) was completed on 14 September 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements on pages 16 to 49 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAP") 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 land and buildings.

Adoption of new SSAPs

In the current year, the Group has adopted, for the first time, the following SSAPs which are effective in respect of financial statements for accounting periods beginning on or after 1 January 2001.

SSAP 28 – Provisions, contingent liabilities and contingent assets

In adopting SSAP 28 the Group has reviewed its existing provisions to ensure they meet the recognition criteria as stipulated in the SSAP.

SSAP 31 – Impairment of assets

In adopting SSAP 31 the Group has assessed its assets to see if there is any indication of impairment or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

SSAP 32 – Consolidated financial statements and accounting for investments in subsidiaries

The adoption of SSAP 32 has not resulted in any significant changes in accounting policy and no prior year adjustment is considered necessary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(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 financial statements also include the Group's share of post-acquisition results and reserves of its associates.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

Subsidiaries are those enterprises in which the Company controls more than half of the voting power, or holds more than half of the issued share capital, or controls the composition of the board of directors.

Subsidiaries are carried at cost less impairment losses.

(d) Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's investments in associates are stated at its share of their net assets. The Company's investments in associates are stated at cost less impairment losses.

An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except where unrealised losses provide evidence of an impairment of the asset transferred.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment

(i) Depreciation and amortisation

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

Leasehold land	2%
Buildings	5%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	25%

(ii) Measurement bases

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

Any surplus arising on revaluation of property, plant and equipment is credited to revaluation reserve. A decrease in net carrying amount arising on revaluation is charged to the income statement to the extent that this exceeds the surplus, if any, held in revaluation reserve relating to the previous revaluation of the same item of assets. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) 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 crystallize 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.

(i) 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. Gains and losses arising on exchange are dealt with in the income statement.

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

(j) 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 fund. 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.

(k) Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in a particular business (business segment), or conducting business in a particular geographical area (geographical segment), which is subject to risks and rewards that are different from those of other segments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and amounts repayable on demand with banks and short-term highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(m) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) 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 decision. Parties are also considered to be related if they are subject to common control or common significant influence.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

4. REVENUE, TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the sale and marketing of gold jewellery products. Revenue recognised in turnover during the year is as follows:

	2001 HK\$'000	2000 HK\$'000
Sale of goods	2,545	2,510
Turnover	2,545	2,510
Interest income	206	65
Other income	297	–
Gross rental income from investment properties	–	441
Other revenue	503	506
Total revenue	3,048	3,016

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

4. REVENUE, TURNOVER AND SEGMENT INFORMATION (continued)

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

	Turnover		Operating loss	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Sale and marketing of gold jewellery products	2,545	1,645	817	(2,059)
Sale of computer scanners and computer equipment (discontinued)	–	865	–	(1,047)
Others	–	–	(10,360)	(7,207)
	<u>2,545</u>	<u>2,510</u>	<u>(9,543)</u>	<u>(10,313)</u>
Principal markets:				
Hong Kong	1,751	1,551	(8,554)	(8,679)
China	794	959	(989)	(1,634)
	<u>2,545</u>	<u>2,510</u>	<u>(9,543)</u>	<u>(10,313)</u>

In prior years, the Group was also involved in the sales of computer equipment. That operation was discontinued in last year (note 7(b)).

5. GAIN ARISING ON DEBT RESTRUCTURING

The gain of HK\$41,052,000 represented the indebtedness and the accrued interest payable of the Group waived by the Bank Group following the completion of the Compromise Agreements and had been credited to the consolidated income statement.

6. GAIN ARISING ON DE-CONSOLIDATION OF A SUBSIDIARY

The gain of HK\$24,009,000 represented gain arising on the de-consolidation of a subsidiary of the Company, Famous (HK) Development Limited ("Famous") (under liquidation). During the year, the Directors have obtained a legal opinion confirming that the Company, being a shareholder of Famous, is not liable to make any more contribution towards the assets of Famous for distribution to creditors. Accordingly, the Directors have decided not to consolidate Famous in the current year's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

7. OPERATING LOSS

(a) Operating loss is arrived at after charging:

	2001 HK\$'000	2000 HK\$'000
Cost of inventories sold	4,626	6,983
Less: Provision for inventories written back upon disposal	(3,404)	(5,425)
	<hr/>	<hr/>
Cost of sales	1,222	1,558
Less: Reversal of provision for slow-moving inventories as result of increase in net realisable value	–	(259)
	<hr/>	<hr/>
Cost of inventories	1,222	1,299
	<hr/>	<hr/>
Staff costs (including directors' remuneration)	3,572	6,824
Operating lease rentals of land and buildings	–	2,484
Depreciation and amortisation	567	491
Net exchange loss	64	478
Auditors' remuneration		
– Current year	240	250
– Underprovision in previous year	–	19
Loss on write-off/disposal of property, plant and equipment	151	175
Outgoings in respect of investment properties	–	97
Provision for doubtful debts	508	43
Provision for amount due from an associate	6	5
Deficit on revaluation of land and buildings	1,892	–
and crediting:		
Gain on disposal of subsidiaries (note 25(c))	–	3,255
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

7. OPERATING LOSS (continued)

(b) Discontinued operations

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 in 2000. 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:

	2001 HK\$'000	2000 HK\$'000
Turnover	<u>—</u>	<u>865</u>
Loss from ordinary activities	<u>—</u>	<u>(1,301)</u>

8. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	6,763	10,329
Interest on other borrowing and loans wholly repayable within five years	<u>398</u>	<u>562</u>
	7,161	10,891

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

9. TAXATION

- (a) No provision for Hong Kong profits tax has been made in the financial statements since the assessable profit for the year has been wholly absorbed by tax losses brought forward from previous years.
- (b) Deferred tax (charge)/credit for the year has not been provided for in respect of the following:

	2001 HK\$'000	2000 HK\$'000
Accelerated depreciation allowances	1,146	(4)
Tax losses	(3,339)	(39,820)
	<u>(2,193)</u>	<u>(39,824)</u>

10. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit for the year is dealt with in the financial statements of the Company to the extent of HK\$6,985,000 (2000: loss of HK\$19,320,000).

11. EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders for the year of HK\$48,357,000 (2000: loss of HK\$20,936,000) and the weighted average of 1,022,466,667 (2000: 730,800,000) ordinary shares in issue during the year.

(b) Diluted

No diluted earnings per share for the year ended 31 December 2001 has been presented, as the Company did not have any share options outstanding during the year.

Diluted loss per share was not shown in last year 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 last year.

NOTES TO THE FINANCIAL STATEMENTS

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12. PENSION COSTS

The pension costs charged to the income statement of HK\$88,000 (2000: HK\$8,000) represent contributions paid and payable by the Group to a defined contribution retirement scheme.

Contributions totalling HK\$7,000 (2000: HK\$8,000) were payable to the scheme at the year-end and are included in "other payables". No unutilized forfeited contributions were available at the year end (2000: HK\$ Nil) to reduce future contributions.

A MPF Scheme was set up under the Mandatory Provident Fund Scheme Ordinance. Under the MPF Scheme, both eligible employees and the Group are required to make monthly contribution equivalent to 5% of eligible employees' relevant income with a maximum monthly contribution of HK\$1,000 for each of the employees and the Group

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2001 HK\$'000	2000 HK\$'000
Fees	128	120
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	1,866	1,519
Retirement scheme contribution	33	3
	<u>2,027</u>	<u>1,642</u>

Directors' fees of HK\$128,000 (2000: HK\$120,000) were paid to independent non-executive directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2001	2000
HK\$Nil – HK\$1,000,000	<u>12</u>	<u>10</u>

No directors waived any emoluments in respect of the year ended 31 December 2001 (2000: HK\$ 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:

	2001 HK\$'000	2000 HK\$'000
Basis salaries, housing allowances, other allowances and benefits in kind	528	1,291
Retirement scheme contribution	11	2
Compensation for loss of office contractual payments	–	916
	<u>539</u>	<u>2,209</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	
	2001	2000
HK\$Nil – HK\$1,000,000	<u>2</u>	<u>3</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation					
At 1 January 2001	9,970	537	348	1,285	12,140
Additions	–	40	–	–	40
Write off	–	(352)	(278)	(684)	(1,314)
Revaluation	(2,270)	–	–	–	(2,270)
At 31 December 2001	7,700	225	70	601	8,596
Accumulated depreciation					
At 1 January 2001	29	441	260	924	1,654
Charge for the year	349	43	13	162	567
Write off	–	(325)	(203)	(635)	(1,163)
Revaluation	(378)	–	–	–	(378)
At 31 December 2001	–	159	70	451	680
Net book value					
At 31 December 2001	7,700	66	–	150	7,916
At 31 December 2000	9,941	96	88	361	10,486

The analysis of the cost or valuation at 31 December 2001 of the above assets is as follows:

At cost	–	225	70	601	896
At valuation – 2001	7,700	–	–	–	7,700
	<u>7,700</u>	<u>225</u>	<u>70</u>	<u>601</u>	<u>8,596</u>

As at 31 December 2001, the Group's land and buildings were valued by Norton Appraisals, an independent professional valuer, on an open market value basis at HK\$7,700,000. The revaluation deficit of HK\$1,892,000 arising from the revaluation of land and buildings, representing the shortfall of the revalued amounts below the carrying value of the property, has been charged to the consolidated income statement.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 January 2001	433	91	1,089	1,613
Additions	40	–	–	40
Write off	(257)	(21)	(488)	(766)
At 31 December 2001	216	70	601	887
Accumulated depreciation				
At 1 January 2001	371	91	789	1,251
Charge for the year	38	–	150	188
Write off	(257)	(21)	(488)	(766)
At 31 December 2001	152	70	451	673
Net book value				
At 31 December 2001	64	–	150	214
At 31 December 2000	62	–	300	362

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	22,256	27,255
Less: Provision for diminution in value	(22,256)	(27,255)
	-	-
Amounts due from subsidiaries	356,953	344,460
Less: Provision for doubtful amounts	(356,953)	(344,460)
	-	-
Amounts due to subsidiaries	-	(14,808)
	-	(14,808)

Particulars of the principal subsidiaries at 31 December 2001 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held	
				2001	2000
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%
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%*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held	
				2001	2000
Winfile Limited	Hong Kong	Jewellery retailing and wholesaling in Hong Kong and China	10,000 ordinary shares of HK\$1 each	64%*	64%*

* Held through subsidiaries. Pursuant to the written resolutions passed by the shareholders of the respective companies on 15 December 2001, the deregistrations of these subsidiaries were approved. Subsequent to the year end, the subsidiaries have applied for deregistrations on 8 March 2002.

16. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	–	–	4	4
Share of net assets	–	–	–	–
Amount due from an associate	3,739	3,733	3,739	3,733
	3,739	3,733	3,743	3,737
Less: Provision	(3,739)	(3,733)	(3,743)	(3,737)
	–	–	–	–

Particulars of the associate at 31 December 2001 is as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held	
				2001	2000
Real Wide Limited	Hong Kong	Dormant in Hong Kong	10,000 ordinary shares of HK\$1 each	45%	45%

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17. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Finished goods	<u>—</u>	<u>1,222</u>

As at 31 December 2001, the carrying amount of inventories that were carried at net realisable value amounted to HK\$NIL (2000: HK\$1,222,000).

18. AMOUNTS DUE FROM RELATED COMPANIES

	Maximum Outstanding during the year	Group		Company	
		2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fujian Group Limited (note a and b)	73	—	73	—	73
Fu Hui Jewellery Company Limited (note a and c)	529	—	529	—	529
		—	602	—	602
Less: Provision for doubtful amount		—	(529)	—	(529)
		<u>—</u>	<u>73</u>	<u>—</u>	<u>73</u>

- (a) The amounts due from related companies were unsecured, interest free and had no fixed terms of repayment.
- (b) The amount due from Fujian Group Limited represented a partial rental deposit to be refunded upon the termination of the lease of the office premise last year. Mr. So Sik, an ex-director of the Company, had beneficial interest in Fujian Group Limited.
- (c) Mr. Wu Jian Rong, an ex-director of the Company, was the assistant general manager of Fujian Jewellery Import and Export Corporation ("Fujian Jewellery"). Fujian Jewellery was a substantial shareholder of the Company and had 50% equity interests in the capital of Fu Hui Jewellery Company Limited.
- (d) The amounts due from related companies were reallocated to other receivables, as those companies were no longer related companies of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

19. TRADE RECEIVABLES

At 31 December 2001, the ageing analysis of the trade receivables (net of specific provision for bad and doubtful debts) was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current – 3 months	239	–
3 – 6 months	–	–
6 – 12 months	–	166
Over 1 year	–	280
	239	446

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (Note)	–	23	–	–
Other payables	2,178	14,856	2,178	13,423
Accruals	707	122	656	122
	2,885	15,001	2,834	13,545

Note:

As at 31 December 2001, the ageing analysis of the trade payables was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current – 3 months	–	–
3 – 6 months	–	–
6 – 12 months	–	–
Over 1 year	–	23
	–	23

NOTES TO THE FINANCIAL STATEMENTS

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21. SHARE CAPITAL

	Numbers of shares		Company	
	2001	2000	2001 HK\$'000	2000 HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each				
At 1 January 2001	1,000,000,000	1,000,000,000	100,000	100,000
Increase during the year	4,000,000,000	–	400,000	–
At 31 December 2001	5,000,000,000	1,000,000,000	500,000	100,000
Issued and fully paid:				
At 1 January 2001	730,800,000	730,800,000	73,080	73,080
Increase during the year	1,000,000,000	–	100,000	–
At 31 December 2001	1,730,000,000	730,800,000	173,080	73,080

Pursuant to an ordinary resolution passed on 7 September 2001, the Company's authorised share capital was increased from HK\$100,000,000 to HK\$500,000,000 by the creation of an additional 4,000,000,000 ordinary shares of HK\$0.10 each, ranking pari passu in all respects with the existing shares of the Company.

On 14 September 2001, the issued share capital of the Company was increased from HK\$73,080,000 to HK\$173,080,000 by the issue of 1,000,000,000 ordinary shares of HK\$0.10 each for cash at par. The reason for the issue was to facilitate the implementation of the debt restructuring and to provide additional working capital to the Group.

NOTES TO THE FINANCIAL STATEMENTS

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22. RESERVES

Group

	Share premium <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2000	368,469	46	(526,621)	(158,106)
Realisation upon disposal of a subsidiary	–	(46)	–	(46)
Loss for the year	–	–	(20,936)	(20,936)
At 31 December 2000 and 1 January 2001	368,469	–	(547,557)	(179,088)
Profit for the year	–	–	48,357	48,357
At 31 December 2001	<u>368,469</u>	<u>–</u>	<u>(499,200)</u>	<u>(130,731)</u>
Company and subsidiary	368,469	–	(499,200)	(130,731)
Associate	–	–	–	–
	<u>368,469</u>	<u>–</u>	<u>(499,200)</u>	<u>(130,731)</u>

Net profit for the year of HK\$48,357,000 (2000: loss of HK\$20,936,000) has not included any profit or loss attributable to the associate.

Company

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2000	368,469	(494,824)	(126,355)
Loss for the year	–	(19,320)	(19,320)
At 31 December 2000 and 1 January 2001	368,469	(514,144)	(145,675)
Profit for the year	–	6,985	6,985
At 31 December 2001	<u>368,469</u>	<u>(507,159)</u>	<u>(138,690)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

23. BANK LOANS AND OTHER BORROWING

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts	-	14,217	-	7,999
Trust receipt loans	-	32,034	-	7,980
Bank loans	-	30,026	-	25,457
Other borrowing	-	3,500	-	3,500
	-	79,777	-	44,936
Amounts repayable on demand or within one year classified as current liabilities	-	75,320	-	40,643
Non-current portion	-	4,457	-	4,293
Representing:				
Secured				
- bank loans and overdrafts	-	31,850	-	31,850
Unsecured				
- bank loans and overdrafts	-	44,427	-	9,586
- other borrowing	-	3,500	-	3,500
	-	79,777	-	44,936

At 31 December 2001, the Group's bank overdrafts, trust receipt loans, bank loans and other borrowing were repayable as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	-	75,320	-	40,643
In the second year	-	2,190	-	2,026
In the third to fifth year	-	2,267	-	2,267
	-	79,777	-	44,936

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

24. DEFERRED TAXATION

	Group	
	2001	2000
	HK\$'000	HK\$'000
At 1 January	-	12
Disposal of a subsidiary	-	(12)
At 31 December	-	-

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

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated depreciation allowances	(1,150)	(4)	(20)	24
Tax losses	(22,831)	(26,170)	(16,549)	(18,793)
	(23,981)	(26,174)	(16,569)	(18,769)

The revaluation of the Group's land and buildings does not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK\$'000	HK\$'000
Operating loss	(9,543)	(10,313)
Interest income	(206)	(65)
Depreciation and amortisation	567	491
Deficit on revaluation of land and buildings	1,892	–
Loss on write off/disposal of property, plant and equipment	151	175
Provision for doubtful debts	508	43
Reversal of provision for slow-moving inventories	–	(259)
Provision for amount due from an associate	6	5
Gain on disposal of subsidiaries	–	(3,255)
Decrease in inventories	1,222	1,051
(Increase)/Decrease in trade receivables	(301)	467
Decrease in prepayments, deposits and other receivables	195	1,278
Decrease in amounts due from related companies	73	675
Increase in trade and other payables	698	409
Increase in amount due to a related company	(1,937)	–
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(6,675)</u>	<u>(9,298)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Share capital including premium	Bank loans, other borrowing and other loans
	HK\$'000	HK\$'000
At 1 January 2000	441,549	57,545
Repayment of amounts borrowed	–	(35)
Effect of foreign exchange rates	–	25
At 31 December 2000 and 1 January 2001	441,549	57,535
Bank overdrafts at 1 January 2001	–	14,217
Trust receipt loans at 1 January 2001	–	32,034
Accrued interest payable included in other payables at 1 January 2001	–	12,814
Total indebtedness and accrued interest due to the Bank Group and the finance creditors at 1 January 2001	–	116,600
Interest accrued during the year	–	7,161
De-consolidation of a subsidiary – note 6	–	(24,009)
Settlements under the Compromise Agreements – note 2	–	(58,700)
Indebtedness and accrued interest waived under the Compromise Agreements – note 5	–	(41,052)
Issue of shares pursuant to the Investment Agreements – note 2	100,000	–
At 31 December 2001	541,549	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposal of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net (liabilities)/assets disposed of:		
Property, plant and equipment	-	464
Trade receivables	-	1,451
Prepayments, deposits and other receivables	-	238
Inventories	-	185
Cash at banks and in hand	-	17
Trade and other payables	-	(3,460)
Trust receipt loans	-	(1,590)
Bank overdrafts	-	(470)
Deferred taxation	-	(12)
Minority interests	-	268
	-	(2,909)
Capital reserves realised upon disposal	-	(46)
Gain on disposal	-	3,255
	-	300
Satisfied by:		
Cash	-	300
Analysis of the net cash inflow in respect of the disposal of subsidiaries:		
Cash consideration	-	300
Cash at banks and in hand disposed of	-	(17)
Trust receipt loans disposed of	-	1,590
Bank overdrafts disposed of	-	470
Net cash inflow in respect of the disposal of subsidiaries	-	2,343

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Major non-cash transactions

As detailed in notes 5 and 6, the gain arising on debt restructuring of HK\$41,052,000 and the gain arising on de-consolidation of a subsidiary of HK\$24,009,000 did not result in any cash flow.

26. CONTINGENT LIABILITIES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees for bank loans and overdrafts of subsidiaries	-	-	-	32,368
Guarantees for trust receipt loans and bank overdrafts of a former subsidiary	-	2,060	-	2,060
	<u>-</u>	<u>2,060</u>	<u>-</u>	<u>2,060</u>
	<u>-</u>	<u>2,060</u>	<u>-</u>	<u>34,428</u>

27. RELATED PARTY TRANSACTIONS

The following was a summary of significant related party transactions, which were carried out in the normal course of the Group's business:

	2001	2000
	HK\$'000	HK\$'000
Management fee payable to Fujian Group Limited (note)	-	892
Office rent and management fee payable to Fujian Group Limited (note)	-	2,179
	<u>-</u>	<u>2,179</u>

Note:

Mr. So Sik, an ex-director of the Company, had a beneficial interest in Fujian Group Limited. The management fee, office rent and management fee were payable at a monthly charge agreed in a previous year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

28. POST BALANCE SHEET EVENT

On 7 March 2002, the Company and a placing agent entered into a conditional placing and underwriting agreement for the placing of 230,000,000 placing shares in the Company ("the Placing") at a placing price of HK\$0.15 per placing share to independent investors.

The placing shares represent approximately 13.29% of the existing issued share capital of the Company and approximately 11.73% of the issued share capital of the Company as enlarged by the Placing.

The reason for the Placing is to raise funds for future investment if appropriate opportunity arises, and/or for retention by the Group for general working capital purposes.

The Placing was completed on 22 March 2002.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 16 to 49 were approved by the Directors on 24 April 2002.