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. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements on pages 18 to 41 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAPs") 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 revised and new SSAPs

In the current year, the Group has adopted, for the first time, the following revised and new SSAPs:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

SSAP 1 (Revised) – Presentation of financial statements

In adopting SSAP 1 (Revised) the Group is required to present a statement of changes in equity instead of a statement of recognised gains and losses. Comparative amounts have been restated to achieve a consistent presentation.

SSAP 15 (Revised) – Cash flow statements

The presentation and classification of items in the cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (Revised). As a result, cash flows during the year have been classified by operating, investing and financing activities. For the year ended 31 December 2001, interest received of approximately HK$206,000 has been reclassified as investing and operating cash flows. In addition, cash and cash equivalents have been reclassified to comprise cash on hand and demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank borrowings, including the trust receipt loans, are included in financing activities. Certain comparative figures have also been reclassified to conform with the current year's presentation.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

SSAP 34 – Employee benefits

Employee leave entitlements

In adopting SSAP 34, employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

The adoption of SSAP 34 has not had any material impact on the financial statements and no prior year adjustment is required.

(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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(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 net assets of the associates. The Company's investments in associates are stated at cost less impairment losses.

An assessment of investment 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.

(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%
Leasehold improvements	$33^1/_3$%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	25%

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment *(continued)*

(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, 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.

(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 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. 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) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

(ii) Retirement benefits costs

The Group contributes to a defined contribution retirement benefits scheme, which is available to all employees. The assets of the scheme 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.

(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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) 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.

(m) 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.

3. 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:

	2002	2001
	HK$'000	*HK$'000*
Sale of goods	**3,732**	2,545
Turnover	**3,732**	2,545
Bank Interest income	**1,122**	206
Other Interest income	**223**	–
Other income	**6**	297
Other revenue	**1,351**	503
Total revenue	**5,083**	3,048

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	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal activities:				
Sale and marketing of gold jewellery products	**3,732**	2,545	**3,726**	817
Others	**–**	–	**(9,070)**	(10,360)
	3,732	2,545	**(5,344)**	(9,543)
Principal markets:				
Hong Kong	**2,635**	1,751	**(6,441)**	(8,554)
China	**1,097**	794	**1,097**	(989)
	3,732	2,545	**(5,344)**	(9,543)

4. GAIN ARISING ON DEBT RESTRUCTURING

In the prior year, the gain of HK$41,052,000 represented the indebtedness and the accrued interest payable of the Group waived by its bankers following the completion of certain compromise agreements entered into between the Group and the bankers and had been credited to the consolidated income statement.

5. GAIN ARISING ON DE-CONSOLIDATION OF A SUBSIDIARY

In the prior year, the gain of HK$24,009,000 represented gain arising on the deconsolidation of a subsidiary of the Company, Famous (HK) Development Limited ("Famous") (under liquidation). During the prior year, the Directors had obtained a legal opinion confirming that the Company, being a shareholder of Famous, was not liable to make any more contribution towards the assets of Famous for distribution to creditors. Accordingly, the Directors had decided not to consolidate Famous in the financial statements from 2001 onwards.

6. OPERATING LOSS

Operating loss is arrived at after charging:

	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold	**15,758**	4,626
Less: Provision for inventories written back upon disposal	**(15,758)**	(3,404)
Cost of sales	**–**	1,222
Staff costs (including directors' remuneration and retirement benefits scheme contributions)	**4,725**	3,572
Retirement benefits scheme contributions	**76**	88
Depreciation and amortisation	**591**	567
Net exchange loss	**–**	64
Auditors' remuneration	**220**	240
Loss on write-off/disposal of property, plant and equipment	**–**	151
Provision for doubtful debts	**74**	508
Provision for amount due from an associate	**–**	6
Deficit on revaluation of land and buildings (included under other operating expenses)	**–**	1,892
Impairment loss on land and buildings (included under other operating expenses)	**1,900**	–

7. FINANCE COSTS

	2002	2001
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**–**	6,763
Interest on other borrowing and loans wholly repayable within five years	**–**	398
	–	7,161

8. 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 timing differences:

	2002	2001
	HK$'000	*HK$'000*
Accelerated depreciation allowances	**(87)**	(1,146)
Tax losses	**2,354**	3,339
	2,267	2,193

9. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss for the year is dealt with in the financial statements of the Company to the extent of HK$3,186,000 (2001: profit of HK$6,985,000).

10. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders for the year of HK$5,344,000 (2001: profit of HK$48,357,000) and the weighted average of 1,951,156,000 (2001: 1,022,466,667) ordinary shares in issue during the year.

(b) Diluted

No diluted earnings per share has been presented as the Company did not have any share options outstanding for both 2001 and 2002.

11. RETIREMENT BENEFITS SCHEME

The Group has set up a mandatory provident fund scheme ("MPF Scheme") 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.

12. 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:

	2002	2001
	HK$'000	*HK$'000*
Fees		
Executive directors	**–**	–
Non-executive directors	**120**	128
	120	128
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	**2,418**	1,866
Retirement benefits scheme contributions	**24**	33
	2,562	2,027

The emoluments of the Directors fell within the following bands:

Emolument bands	**Number of directors**	
	2002	2001
HK$Nil – HK$1,000,000	**3**	12
HK$1,000,001 – HK$1,500,000	**2**	–
	5	12

No directors waived any emoluments in respect of the year ended 31 December 2002 (2001: HK$NIL).

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

(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:

	2002	2001
	HK$'000	*HK$'000*
Basis salaries, housing allowances, other allowances and benefits in kind	**1,275**	528
Retirement benefits scheme contributions	**24**	11
	1,299	539

The number of the 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**	
	2002	2001
HK$Nil – HK$1,000,000	**3**	2

13. PROPERTY, PLANT AND EQUIPMENT

Group

	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*
Cost or valuation						
At 1 January 2002	7,700	–	225	70	601	8,596
Additions	–	696	11	21	–	728
At 31 December 2002	**7,700**	**696**	**236**	**91**	**601**	**9,324**
Accumulated depreciation/ amortisation and impairment losses						
At 1 January 2002	–	–	159	70	451	680
Depreciation/ amortisation charge for the year	270	135	34	2	150	591
Impairment losses	1,900	–	–	–	–	1,900
At 31 December 2002	**2,170**	**135**	**193**	**72**	**601**	**3,171**
Net book value						
At 31 December 2002	**5,530**	**561**	**43**	**19**	**–**	**6,153**
At 31 December 2001	7,700	–	66	–	150	7,916

The analysis of the cost or valuation at 31 December 2002 of the above assets is as follows:

At cost	–	696	236	91	601	1,624
At valuation – 2001	7,700	–	–	–	–	7,700
	7,700	696	236	91	601	9,324

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

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

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

As at 31 December 2002, based on the Directors' assessment by reference to an open market value basis, the carrying value of the land and buildings held for own use by the Group was written down by HK$1,900,000 (included under other operating expenses).

Company

	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2002	–	216	70	601	887
Additions	696	11	21	–	728
At 31 December 2002	**696**	**227**	**91**	**601**	**1,615**
Accumulated depreciation/amortisation					
At 1 January 2002	–	152	70	451	673
Depreciation/ amortisation charge for the year	136	33	2	150	321
At 31 December 2002	**136**	**185**	**72**	**601**	**994**
Net book value					
At 31 December 2002	**560**	**42**	**19**	**–**	**621**
At 31 December 2001	–	64	–	150	214

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares, at cost	**22,256**	22,256
Less: Provision for impairment losses	**(22,256)**	(22,256)
	–	–
Amounts due from subsidiaries	**175,468**	356,953
Less: Provision for doubtful amounts	**(155,458)**	(356,953)
	20,010	–

Particulars of the subsidiaries at 31 December 2002 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held 2002	Interest held 2001
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%
Maxease Limited	British Virgin Islands	Dormant in Hong Kong	1 ordinary share of US$1	**100%**	–

The Company's subsidiaries, Polygain (HK) Investment Limited and Winfile Limited, in which the Company held 100% and 64% equity interests respectively as at 31 December 2001, were deregistered on 19 July 2002 and 28 June 2002 respectively.

15. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**4**	4
Share of net assets	**–**	–	**–**	–
Amount due from an associate	**3,739**	3,739	**3,739**	3,739
	3,739	3,739	**3,743**	3,743
Less: Provision	**(3,739)**	(3,739)	**(3,743)**	(3,743)
	–	–	**–**	–

Particulars of the associate at 31 December 2002 is as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held	
				2002	2001
Real Wide Limited	Hong Kong	Dormant in Hong Kong	10,000 ordinary shares of HK$1 each	**45%**	45%

16. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**11,168**	11,168
Finished goods	**6,891**	22,649
	18,059	33,817
Less: Provision for inventories	**(18,059)**	(33,817)
	–	–

17. TRADE RECEIVABLES

At 31 December 2002, the ageing analysis of the trade receivables (net of specific provision for bad and doubtful debts) was as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Current – 3 months	**–**	239

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables were two short term loans of HK$10,000,000 each, advanced to two independent third parties for interest income. Both loans bear interest at 6.5% per annum and one of the loans together with the relevant income interest has been subsequently repaid on 22 April 2003 and the other is repayable on 6 May 2003.

19. SHARE CAPITAL

	Number of shares		Company	
	2002	2001	**2002**	2001
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each				
At 1 January 2002	**5,000,000,000**	1,000,000,000	**500,000**	100,000
Increase during the year	**–**	4,000,000,000	**–**	400,000
At 31 December 2002	**5,000,000,000**	5,000,000,000	**500,000**	500,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1 January 2002	**1,730,800,000**	730,800,000	**173,080**	73,080
Increase during the year	**350,000,000**	1,000,000,000	**35,000**	100,000
At 31 December 2002	**2,080,800,000**	1,730,800,000	**208,080**	173,080

On 22 March 2002 and 30 August 2002, the issued share capital of the Company was increased from HK$173,080,000 to HK$196,080,000 and from HK$196,080,000 to HK$208,080,000 by the issues of 230,000,000 and 120,000,000 ordinary shares of HK$0.10 each for cash at a premium of HK$0.05 and HK$0.16 per share respectively. The reason for the issues was to capture future appropriate investments and to provide working capital to the Group.

20. RESERVES

Group

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2001	368,469	(547,557)	(179,088)
Profit for the year	–	48,357	48,357
At 31 December 2001 and at 1 January 2002	368,469	(499,200)	(130,731)
Issues of shares	30,700	–	30,700
Loss for the year	–	(5,344)	(5,344)
At 31 December 2002	**399,169**	**(504,544)**	**(105,375)**

Net loss for the year of HK$5,344,000 (2001: profit of HK$48,357,000) has not included any profit or loss attributable to the associate.

Company

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2001	368,469	(514,144)	(145,675)
Profit for the year	–	6,985	6,985
At 31 December 2001 and at 1 January 2002	368,469	(507,159)	(138,690)
Issues of shares	30,700	–	30,700
Loss for the year	–	(3,186)	(3,186)
At 31 December 2002	**399,169**	**(510,345)**	**(111,176)**

21. DEFERRED TAXATION

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	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Timing differences attributable to:				
Accelerated depreciation allowances	**1,237**	1,150	**54**	20
Tax losses	**20,477**	22,831	**14,808**	16,549
	21,714	23,981	**14,862**	16,569

22. POST BALANCE SHEET EVENTS

On 4 December 2002, Maxease Limited ("Maxease"), a wholly owned subsidiary of the Company, entered into a letter of intent with certain PRC parties relating to the possible investment by Maxease in 40% of the equity interest in a proposed sino-foreign equity joint venture company in the PRC by way of capital contribution of RMB20 million (approximately HK$18.87 million). Pursuant to the letter of intent, certain conditions set out therein should be fulfilled on or before 4 March 2003 or such other later date as agreed by the relevant parties. On 4 March 2003, Maxease and the PRC parties entered into a supplemental letter of intent, pursuant to which the parties agreed to extend (i) the deadline for fulfilment of the conditions as stated in the letter of intent dated 4 December 2002, (ii) the deadline for granting the exclusive right to each party for the proposed investment; and (iii) the deadline to enter into the joint venture agreement to 4 June 2003.

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 18 to 41 were approved by the Directors on 24 April 2003.