

Notes on the Accounts

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of compliance*

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) *Basis of preparation of the accounts*

The measurement basis used in the preparation of the accounts is historical cost.

(c) *Basis of consolidation*

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31st March each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the effective dates of their acquisition or disposal, as appropriate. All material inter-company transactions and balances are eliminated on consolidation.

Goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investments in these companies over the fair value of the Group's share of the separable net assets acquired, is written off against reserves in the year in which it arises.

(d) *Interest in subsidiaries*

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Interests in subsidiaries in the Company's balance sheet are stated at cost less any provision for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

(e) *Associates*

An associate is a company in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets.

The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associate for the year.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Fixed assets and depreciation*

(i) Land and buildings are stated in the balance sheet at cost less accumulated depreciation calculated to write off the assets over their estimated useful lives. Except for certain land which has been fully amortised in previous years, leasehold land is amortised in equal annual instalments over the remaining term of the lease, including the renewal period. The cost of buildings and improvements thereto are depreciated on a straight-line basis over their useful lives, at annual rates of between 4% and 5%.

(ii) Other fixed assets are stated in the balance sheet at cost less accumulated depreciation calculated on a straight-line basis to write off the assets over their estimated useful lives at the following annual rates:

Factory machinery and equipment	9 - 25%
Fixtures, furniture and office equipment	9 - 33%
Motor vehicles	18 - 25%

(iii) The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are not discounted to their present values.

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the profit and loss account. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

(iv) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(v) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Cash equivalents

Cash equivalents are 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. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable on demand or within three months from the date of the advance.

(i) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

- (i) Revenue arising from sales of goods is recognised on delivery of goods to customers which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of returns.
- (ii) Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.
- (iii) Dividend income from subsidiaries and associates is recognised providing the dividend is in respect of a period ending on or before that of the Company and the Company's right to receive payment is established before the accounts of the Company are approved by the Directors.

(j) Operating leases

Rentals of premises payable under operating leases are accounted for on a straight-line basis over the periods of the respective leases.

Rentals of plant and machinery payable under operating leases are accounted for on a straight-line basis over the periods of the respective leases, except for fixed sums payable on the commencement of the leases, known as base rentals, and rentals on the basis of production volumes which are accounted for when incurred.

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Retirement costs

(i) Defined contribution schemes and mandatory provident fund

Retirement costs of defined contribution retirement schemes and mandatory provident fund (together “the schemes”) are charged to the profit and loss account at rates specified in the rules of the schemes.

(ii) Retirement gratuities

In prior years, the cost of retirement gratuities was charged to the profit and loss account when the gratuities became vested. During the year, the Group changed the basis of recognition of the retirement gratuity provision, such that the provision represents the present value of the defined benefit obligation, being the expected future payments required to settle the obligation resulting from employee service in the current and prior periods, at the balance sheet date. The current service cost, being the present value of benefits attributed to the current year based on the recommendation of an actuary, is charged to the profit and loss account. In the opinion of the management, this policy better reflects the present obligations of the Group.

As a result of the change in accounting policy, the Group’s profit for the year has been decreased by \$2,354,000 and the Group’s and the Company’s net assets as at the year end have been decreased by \$38,278,000 and \$37,715,000 respectively. The effect of adopting the changed policy at 31st March, 2000 has been adjusted to the opening balance of retained earnings for the year. No restatement of other comparative information has been made since it is impractical to do so.

(l) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(m) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses on foreign currency translation are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with in the exchange reserve.

(o) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

2 TURNOVER

The principal activities of the Group are the manufacture and distribution of food and beverages.

Turnover represents the gross sales value less returns, to third parties.

3 SEGMENTAL INFORMATION

The principal activities of the Group are the manufacture and distribution of food and beverages which, in the view of management, are comprised within the principal activity of manufacture and distribution of food and beverages. Therefore, no separate analysis of turnover and results from operations by principal activity is prepared as all the information has been disclosed in the consolidated profit and loss account.

The analysis of turnover by geographical location of the Group's operations during the year is as follows:

	Group turnover	
	2001 \$'000	2000 \$'000
Hong Kong	1,261,219	1,166,799
North America	499,351	470,931
Rest of the world	251,802	247,760
	2,012,372	1,885,490

An analysis of profits relating to operations outside Hong Kong is not given since they aggregate less than 10 percent of the Group's operating profit.

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

4 OTHER REVENUE

	2001 \$'000	2000 \$'000
Interest income	21,133	15,783
Commission income	5,585	6,274
Rental income	1,355	459
Sundry income	5,199	1,465
	33,272	23,981

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

	2001 \$'000	2000 \$'000
(a) Finance cost:		
Interest on bank loans and overdrafts, and other loans wholly repayable within five years	12,951	12,679
(b) Other items:		
Depreciation	87,617	80,068
Auditors' remuneration	2,006	1,728
Operating lease charges		
— hire of plant, machinery and equipment	7,913	6,217
— rental of premises	16,605	14,021
Staff costs (including retirement costs of \$14,202,000 (2000: \$9,420,000))	401,281	377,594
Cost of inventories	976,010	958,725

6 TAXATION

(a) *Taxation in the consolidated profit and loss account represents:*

	2001	2000
	\$'000	\$'000
Provision for Hong Kong profits tax for the year	35,086	18,937
Underprovision/(overprovision) for Hong Kong profits tax in respect of previous years	252	(3,811)
	35,338	15,126
Overseas taxation	477	3,361
Deferred taxation (note 21(a))	(370)	11,067
Share of associates' taxation	110	35
	35,555	29,589

The provision for Hong Kong profits tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) *Taxation in the balance sheets represents:*

	The Group		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Provision for Hong Kong profits tax for the year	35,086	18,937	32,430	16,298
Provisional profits tax paid	(14,691)	(10,282)	(12,487)	(9,222)
	20,395	8,655	19,943	7,076
Tax Reserve Certificate purchased	—	(6,000)	—	(6,000)
Overseas taxation	609	2,162	—	—
	21,004	4,817	19,943	1,076

Details of deferred taxation are set out in note 21 on the accounts.

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2001 \$'000	2000 \$'000
Fees	1,294	1,195
Other emoluments		
Basic salaries, housing allowances, other allowances and benefits in kind	10,618	11,067
Deemed gains on exercise of share options	—	71
Contributions to pension scheme	416	385
Performance related and discretionary bonuses	5,840	4,504
	18,168	17,222

Included in the Directors' remuneration are fees of \$564,000 (2000: \$469,000) paid to the independent non-executive directors during the year.

In addition to the above emoluments, certain Directors were granted share options under the Company's share option scheme. Details of these benefits in kind are disclosed under the paragraph "Directors' rights to purchase shares" in the Report of the Directors.

In the absence of a ready market for the options granted on the shares of the Company, the Directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors until the date they are exercised.

Deemed gains on exercise of share options represent the difference between the price paid on exercise of the options and the market value of the shares acquired at the date of exercise of the options and, unlike other emoluments, are not charged against the profit of the Group.

The Directors' remuneration, which includes the five highest paid individuals, fell within the following ranges:

	2001 Number	2000 Number
\$0 to \$1,000,000	5	5
\$2,000,001 to \$2,500,000	1	3
\$2,500,001 to \$3,000,000	2	1
\$3,500,001 to \$4,000,000	1	—
\$6,000,001 to \$6,500,000	1	1

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of \$87,312,000 (2000: \$148,718,000) which has been dealt with in the accounts of the Company.

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by using the profit attributable to shareholders of \$128,146,000 (2000: \$126,135,000) and the weighted average number of 974,463,000 shares (2000: 975,891,000 shares after adjusting for the bonus issue in September 2000) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of \$128,146,000 (2000: \$126,135,000) and the weighted average number of 975,131,000 shares (2000: 982,134,000 shares after adjusting for the bonus issue in September 2000) in issue after adjusting for the effects of all dilutive potential shares.

(c) Reconciliation

	2001 Number of shares '000	2000 Number of shares '000
Weighted average number of shares used in calculating basic earnings per share	974,463	975,891
Deemed issue of shares for no consideration arising from share options	668	6,243
Weighted average number of shares used in calculating diluted earnings per share	975,131	982,134

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

10 FIXED ASSETS

	Land and buildings \$'000	Factory machinery and equipment \$'000	Fixtures, furniture and office equipment \$'000	Motor vehicles \$'000	Total \$'000
The Group					
Cost:					
At 1st April, 2000	496,511	718,049	94,531	64,133	1,373,224
Exchange adjustments	334	816	51	25	1,226
Additions	46,787	102,973	14,606	3,873	168,239
Disposals	(4)	(5,936)	(1,868)	(1,431)	(9,239)
At 31st March, 2001	543,628	815,902	107,320	66,600	1,533,450
Accumulated depreciation:					
At 1st April, 2000	70,158	365,475	62,202	52,081	549,916
Exchange adjustments	48	248	31	17	344
Charge for the year	15,853	56,042	10,920	4,802	87,617
Written back on disposals	(1)	(5,529)	(1,660)	(1,344)	(8,534)
At 31st March, 2001	86,058	416,236	71,493	55,556	629,343
Net book value:					
At 31st March, 2001	457,570	399,666	35,827	11,044	904,107
At 31st March, 2000	426,353	352,574	32,329	12,052	823,308

10 FIXED ASSETS (continued)

	Land and buildings \$'000	Factory machinery and equipment \$'000	Fixtures, furniture and office equipment \$'000	Motor vehicles \$'000	Total \$'000
The Company					
Cost:					
At 1st April, 2000	165,731	327,042	56,451	49,553	598,777
Additions	—	17,394	5,711	2,047	25,152
Disposals	—	(2,224)	(802)	(1,279)	(4,305)
At 31st March, 2001	165,731	342,212	61,360	50,321	619,624
Accumulated depreciation:					
At 1st April, 2000	31,099	244,201	39,921	44,019	359,240
Charge for the year	4,974	19,875	4,942	2,656	32,447
Written back on disposals	—	(2,143)	(802)	(1,279)	(4,224)
At 31st March, 2001	36,073	261,933	44,061	45,396	387,463
Net book value:					
At 31st March, 2001	129,658	80,279	17,299	4,925	232,161
At 31st March, 2000	134,632	82,841	16,530	5,534	239,537

The analysis of cost of land is as follows:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
In Hong Kong				
— medium-term lease	185,045	185,045	77,014	77,014
Outside Hong Kong				
— freehold	7,757	6,375	—	—
— medium-term lease	6,481	6,469	—	—
— short-term lease	1,385	1,382	—	—
	200,668	199,271	77,014	77,014

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

10 FIXED ASSETS (continued)

The gross amounts of fixed assets of the Group and the Company held for use in operating leases were \$22,698,000 (2000: \$22,698,000) and the related accumulated depreciation charges were \$5,095,000 (2000: \$4,384,000).

At 31st March, 2001, the net book value of fixed assets of the Group pledged as security for liabilities was \$184,604,000 (2000: \$140,071,000).

11 INTEREST IN SUBSIDIARIES

	The Company	
	2001 \$'000	2000 \$'000
Unlisted investments, at cost	107,597	107,597
Amounts due from subsidiaries	676,199	609,845
Provision for diminution in the value of interest in subsidiaries	(212,234)	(96,227)
	571,562	621,215

The amounts due from subsidiaries are expected to be recovered after more than one year.

Details of the principal subsidiaries at 31st March, 2001 are as follows:

Name of company	Place of incorporation and operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest held by the Company		Principal activities
			directly	indirectly	
Vitasoy Holdings N.V.	Netherlands Antilles	US\$6,100	100	—	Investment holding
Vitasoy International B.V.	Netherlands	DFL40,000	—	100	Investment holding
Vitasoy (UK) Investments Company Limited	United Kingdom	GBP2	100	—	Investment holding

11 INTEREST IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest held by the Company		Principal activities
			directly	indirectly	
Vitasoy USA Inc.	United States of America	US\$12,061,000 Common stock	—	100	Manufacture and sale of soy related products
		US\$19,400,000 Convertible series A preferred stock	—	100	
Nasoya Foods Inc.	United States of America	US\$13,846,000	—	100	Manufacture and sale of soy related products
The Shenzhen Vitasoy (Guang Ming) Foods and Beverage Company Limited (note i)	People's Republic of China	RMB80,000,000	70	—	Manufacture and sale of beverages
Vitasoy (China) Investments Company Limited	Hong Kong	\$20	100	—	Investment holding
Vitasoy (Shanghai) Company Limited (note ii)	People's Republic of China	RMB119,430,813	—	100	Manufacture and sale of beverages
Vita International Holdings Limited	Hong Kong	\$20	100	—	Investment holding
Vitasoy Australia Products Pty. Ltd. (note iii)	Australia	A\$6,120,000 V class shares	—	100	Manufacture and sale of beverages
		A\$5,880,000 N class shares	—	—	

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

11 INTEREST IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest held by the Company		Principal activities
			directly	indirectly	
Vitasoja (Macau) Limitada	Macau	MOP100,000	100	—	Distribution of beverages
Produtos De Soja Hong Kong (Macau) Limitada	Macau	MOP10,000	—	100	Dormant
Vitaland Services Limited	Hong Kong	\$3,000,000	100	—	Operation of tuckshops
The Hong Kong Soya Bean Products Company, Limited	Hong Kong	\$20	100	—	Property investment
Vitasoy Distributors (Singapore) Pte. Ltd.	Singapore	S\$2,500,000	100	—	Dormant

Notes:

- (i) The Shenzhen Vitasoy (Guang Ming) Foods and Beverage Company Limited is a sino-foreign equity joint venture established in the People's Republic of China to be operated for 20 years up to 2011.
- (ii) Vitasoy (Shanghai) Company Limited is a wholly foreign owned subsidiary established in the People's Republic of China and is to be operated for 50 years up to 2045.
- (iii) The Group has an interest in 51% of the equity of Vitasoy Australia Products Pty. Ltd.

12 INTEREST IN ASSOCIATES

	The Group	
	2001	2000
	\$'000	\$'000
Share of net assets other than goodwill	9,488	8,748
Share of goodwill	5,625	6,155
	15,113	14,903
Amount due to associates	(253)	(364)
	14,860	14,539

The consolidated retained profit for the year includes an amount of \$537,000 (2000: \$1,744,000) attributable to the associates.

Details of the principal associate are as follows:

Name of company	Place of incorporation and operation	Percentage of equity held by the Company indirectly	Principal activities
Sodexo (Hong Kong) Limited	Hong Kong	40.35	Provision of contract catering and management services

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

13 LONG-TERM LOANS

Pursuant to an agreement entered into on 20th January, 2000, which was disclosed as a connected transaction under the Listing Rules of The Stock Exchange of Hong Kong Limited, the Company has a commitment to provide financial assistance of up to \$30,000,000 to the Guang Ming Farm, the minority shareholder of the Company's subsidiary, The Shenzhen Vitasoy (Guang Ming) Foods and Beverage Company Limited. Guang Ming Farm has drawn loans totalling \$20,000,000 under this agreement and part of them have been repaid. The outstanding loans are interest bearing and are repayable as follows:

	The Group and The Company	
	2001 \$'000	2000 \$'000
Within one year (note 15)	6,129	7,784
After one year	6,101	2,524
	12,230	10,308

The Company has financed the loans with bank facilities established for this purpose. The balance of the utilised banking facilities as at 31st March, 2001 is included in the current portion of bank loans and overdrafts.

14 INVENTORIES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Raw materials	128,917	137,828	46,718	71,579
Finished goods	95,168	92,817	33,075	40,904
	224,085	230,645	79,793	112,483

The amount of inventories of the Group included above carried at net realisable value is \$362,000 (2000: \$2,601,000).

At 31st March, 2001, the carrying amount of inventories of the Group pledged as security for liabilities was \$55,779,000 (2000: \$46,092,000).

15 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Debtors and prepayments	310,538	265,277	193,613	188,753
Current portion of long-term loans (note 13)	6,129	7,784	6,129	7,784
	316,667	273,061	199,742	196,537

Included in debtors and prepayments are trade debtors and bills receivable (net of provisions for bad and doubtful debts) with the following ageing analysis:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
0 - 3 months	238,425	208,891	146,361	144,873
4 - 6 months	41,833	29,308	37,484	26,759
Over 6 months	722	685	—	—
	280,980	238,884	183,845	171,632
Deposits, prepayments and other debtors	29,558	26,393	9,768	17,121
	310,538	265,277	193,613	188,753

The credit terms given to the customers vary and are generally based on the financial strength of the individual customer. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

16 AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest free and are expected to be settled within one year.

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

17 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Bank deposits	278,437	126,055	226,698	104,758
Cash at bank and in hand	48,485	51,654	25,915	6,189
	326,922	177,709	252,613	110,947

At 31st March, 2001, cash at bank and in hand of the Group pledged as security for liabilities was \$12,429,000 (2000: \$7,279,000).

18 BANK LOANS AND OVERDRAFTS

At 31st March, 2001, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Within 1 year or on demand	185,377	99,312	30,993	12,923
After 1 year but within 2 years	53,228	9,375	—	—
After 2 years but within 5 years	1,827	43,520	—	—
	55,055	52,895	—	—
	240,432	152,207	30,993	12,923

At 31st March, 2001, the bank loans and overdrafts were secured as follows:

Unsecured bank overdrafts	15,127	13,823	12,393	12,923
Bank loans				
— secured	73,681	94,551	—	—
— unsecured	151,624	43,833	18,600	—
	240,432	152,207	30,993	12,923

Borrowings totalling \$73,681,000 (2000: \$94,551,000) are secured by certain assets of which \$22,094,000 (2000: \$33,915,000) are also guaranteed by the Company. Borrowings totalling \$88,792,000 (2000: \$29,740,000) are solely guaranteed by the Company.

19 TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors and bills payable with the following ageing analysis:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
0 - 3 months	160,315	189,066	105,607	114,264
4 - 6 months	2,623	6,641	—	1
Over 6 months	2,229	3,696	29	14
	165,167	199,403	105,636	114,279
Accrued expenses and other payables	155,319	128,756	55,651	68,615
Provision for retirement gratuities and long service payments (note 27)	15,419	16,327	15,000	16,278
	335,905	344,486	176,287	199,172

20 NON-CURRENT INTEREST-BEARING BORROWINGS

	The Group	
	2001 \$'000	2000 \$'000
Bank loans (secured) (note 18)	55,055	52,895
Other non-current liabilities	476	238
	55,531	53,133
Other non-current liabilities are repayable as follows:		
After 1 year but within 2 years	476	143
After 2 years but within 5 years	—	95
	476	238

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

21 DEFERRED TAXATION

(a) *Movements on deferred taxation comprise:*

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
At 1st April	11,067	—	11,067	—
Transfer (to)/from the profit and loss account (note 6(a))	(370)	11,067	(370)	11,067
At 31st March	10,697	11,067	10,697	11,067

(b) *Major components of deferred tax of the Group are set out below:*

	2001		2000	
	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000
Depreciation allowances in excess of related depreciation	13,838	4,669	14,390	3,655
General provisions	(3,141)	(10,282)	(3,323)	(8,019)
Future benefit of losses	—	(65,550)	—	(43,811)
	10,697	(71,163)	11,067	(48,175)

(c) *Major components of deferred tax of the Company are set out below:*

	2001		2000	
	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000
Depreciation allowances in excess of related depreciation	13,838	—	14,390	—
General provisions	(3,141)	—	(3,323)	—
	10,697	—	11,067	—

22 SHARE CAPITAL

	2001		2000	
	Number of shares ('000)	Amount \$'000	Number of shares ('000)	Amount \$'000
<i>Authorised:</i>				
Shares of \$0.25 each (note (a))	3,200,000	800,000	800,000	200,000
<i>Issued and fully paid:</i>				
At 1st April	649,795	162,449	649,783	162,446
Bonus issue (note (b))	324,777	81,194	—	—
Shares issued on exercise of share options (note (c))	196	48	2,242	561
Shares repurchased (note (d))	(242)	(60)	(2,230)	(558)
At 31st March	974,526	243,631	649,795	162,449

Notes:

- (a) By an ordinary resolution passed at the annual general meeting held on 6th September, 2000, the Company's authorised share capital was increased to \$800,000,000 by the creation of an additional 2,400,000,000 ordinary shares of \$0.25 each, ranking pari passu with the existing shares of the Company.
- (b) Pursuant to an ordinary resolution passed at the annual general meeting held on 6th September, 2000, a bonus issue of 324,777,000 shares, credited as fully paid, was made by way of capitalisation of \$81,194,000 from retained profits on the basis of one new share for every two existing shares held on 6th September, 2000.
- (c) During the year, options were exercised to subscribe for 196,000 shares in the Company at a consideration totalling \$215,000 of which \$48,000 was credited to share capital and the balance of \$167,000 was credited to the share premium account.

On 4th July, 2000, options were granted to eligible Directors and employees to subscribe for 27,969,000 shares in the Company at a subscription price of \$1.193 per share (after adjusting for the bonus issue in September 2000).

At 31st March, 2001, options to subscribe for 62,721,000 shares under the Company's share option scheme were unexercised (2000: 37,680,000 after adjusting for the bonus issue in September 2000). The options may be exercised in periods up to 31st May, 2001, 3rd September, 2001, 31st July, 2003 and 31st August, 2005 at prices of \$1.435, \$1.275, \$1.104 and \$1.193 per share respectively. In accordance with the terms of the scheme, the number of options and exercise price have been adjusted following the bonus issue of shares during the year.

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

22 SHARE CAPITAL (continued)

Notes (continued):

- (d) During the year, the Company repurchased 242,000 of its shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled, for consideration totalling \$367,000. The nominal value of the cancelled shares was credited to capital redemption reserve and the consideration was paid out of retained profits. Details of the shares repurchased are as follows:

Month of repurchase	Number of shares (‘000)	Price per share (before bonus issue)		Aggregate price \$’000
		Highest \$	Lowest \$	
April 2000	86	1.55	1.54	133
May 2000	156	1.53	1.48	234
	242			367

After giving effect to the bonus issue in September 2000, the above equivalent prices would have been April 2000: highest (\$1.03) and lowest (\$1.03); and May 2000: highest (\$1.02) and lowest (\$0.99).

23 RESERVES

- (a) *The Group*

Movements on reserves comprise:

	2001 \$’000	2000 \$’000
<i>Share premium</i>		
At 1st April	267,407	263,928
Premium on issue of shares	167	3,479
At 31st March	267,574	267,407
<i>Capital reserve</i>		
At 1st April	112,348	116,435
Transfer to profit and loss account	(4,087)	(4,087)
At 31st March	108,261	112,348
<i>Capital redemption reserve</i>		
At 1st April	558	—
Repurchase of own shares	60	558
At 31st March	618	558

23 RESERVES (continued)

(a) *The Group (continued)*

	2001 \$'000	2000 \$'000
<i>Legal reserve</i>		
At 1st April	1,766	20
Transfer from profit and loss account	1,162	1,746
At 31st March	2,928	1,766
<i>General reserve</i>		
At 1st April and 31st March	2,261	2,261
<i>Exchange reserve</i>		
At 1st April	(31,439)	(31,486)
Exchange differences arising on consolidation	(4,414)	47
At 31st March	(35,853)	(31,439)
<i>Profit and loss account</i>		
At 1st April		
— as previously reported	602,156	545,979
— prior period adjustment (note 1(k))	(35,924)	—
— as restated	566,232	545,979
Retained profit for the year	128,146	126,135
Repurchase of shares	(367)	(4,040)
Bonus issue	(81,194)	—
Transfer to legal reserve	(1,162)	(1,746)
Transfer from capital reserve	4,087	4,087
Dividends	(76,988)	(68,259)
At 31st March	538,754	602,156
	884,543	955,057

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

23 RESERVES (continued)

(b) The Company

Movements on reserves comprise:

	2001 \$'000	2000 \$'000
<i>Share premium</i>		
At 1st April	267,407	263,928
Premium on issue of shares	167	3,479
At 31st March	267,574	267,407
<i>Capital reserve</i>		
At 1st April	112,348	116,435
Transfer to profit and loss account	(4,087)	(4,087)
At 31st March	108,261	112,348
<i>Capital redemption reserve</i>		
At 1st April	558	—
Repurchase of own shares	60	558
At 31st March	618	558
<i>General reserve</i>		
At 1st April and 31st March	2,261	2,261
<i>Profit and loss account</i>		
At 1st April		
— as previously reported	705,077	624,571
— prior period adjustment (note 1(k))	(35,377)	—
— as restated	669,700	624,571
Retained profit for the year	87,312	148,718
Repurchase of shares	(367)	(4,040)
Bonus issue	(81,194)	—
Transfer from capital reserve	4,087	4,087
Dividends	(76,988)	(68,259)
At 31st March	602,550	705,077
	981,264	1,087,651

23 RESERVES (continued)

- (c) (i) The application of the share premium account and the capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.
- (ii) The exchange reserve has been set up and will be dealt with in accordance with the accounting policy adopted for translation of the accounts of foreign subsidiaries (note 1 (n)).
- (iii) The legal reserve has been set up by The Shenzhen Vitasoy (Guang Ming) Foods and Beverage Company Limited and Vitasoja (Macau) Limitada in accordance with regulations in the People's Republic of China and Macau respectively.
- (iv) As part of the restructuring of the Group in February 1994, the Company disposed of a property to a former subsidiary and consideration was received in the form of cash and another property. A total gain, representing the difference between the historical carrying value of the property disposed of and the fair value of the consideration received, resulted.

The gain arising from this transaction was divided into realised and unrealised portions in the ratio of the amount of cash and the fair value of the property received ("the property"). The unrealised gain was taken to capital reserve and is realised on depreciation of the property. During the year, \$4,087,000 (2000: \$4,087,000) is transferred from capital reserve to retained profits.

- (d) *The balance on the consolidated profit and loss account at the end of each year is analysed as follows:*

	2001	2000
	\$'000	\$'000
Parent company and subsidiaries	538,224	601,836
Associates	530	320
	538,754	602,156

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

23 RESERVES (continued)

(e) Dividends

	2001 \$'000	2000 \$'000
Interim dividend paid of 2.8 cents per share (2000: 2.5 cents per share, adjusted for the bonus issue in September 2000 (note 22(b))	27,287	24,739
Final dividend proposed of 5.1 cents per share (2000: 4.5 cents per share, adjusted for the bonus issue in September 2000 (note 22(b))	49,701	43,520
	76,988	68,259

(f) Reserves available for distribution

	The Company	
	2001 \$'000	2000 \$'000
General reserve	2,261	2,261
Profit and loss account	602,550	705,077
	604,811	707,338

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operations to net cash inflow from operating activities:

	2001 \$'000	2000 \$'000
Profit from operations	177,814	170,539
Interest income	(21,133)	(15,783)
Depreciation	87,617	80,068
Loss on disposal of fixed assets	342	447
(Decrease)/increase in amount due to associates	(111)	271
Decrease/(increase) in inventories	6,560	(15,192)
(Increase)/decrease in trade and other receivables	(45,261)	1,560
(Decrease)/increase in trade and other payables (excluding current portion of provision for retirement gratuities and long service payments)	(11,708)	6,322
Increase in provision for retirement gratuities and long service payments	1,124	—
Effect of foreign exchange	(9,332)	(1,326)
Net cash inflow from operating activities	185,912	226,906

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

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

	Share capital (including share premium) \$'000	Minority interest \$'000	Borrowings repayable after three months \$'000
Balance at 1st April, 1999	426,374	23,799	120,392
Cash flows from financing	4,040	2,381	5,678
Shares repurchased	(558)	—	—
Minority interests in profit for the year less dividend paid	—	(723)	—
Effect of foreign exchange rates	—	764	615
Balance at 31st March, 2000	429,856	26,221	126,685
Balance at 1st April, 2000	429,856	26,221	126,685
Cash flows from financing	215	25,394	23,686
Shares repurchased	(60)	—	—
Bonus issue	81,194	—	—
Minority interests in profit for the year less dividend paid and payable	—	(6,036)	—
Effect of foreign exchange rates	—	(4,413)	238
Balance at 31st March, 2001	511,205	41,166	150,609

The consideration paid for the repurchase of shares during the year was \$367,000 (2000: \$4,040,000), which was paid out of retained profits.

(c) Analysis of the balances of cash and cash equivalents:

	2001 \$'000	2000 \$'000
Bank deposits maturing within three months	278,437	126,055
Cash at bank and in hand	48,485	51,654
Bank loans repayable within three months and overdrafts	(90,299)	(25,760)
	236,623	151,949

25 COMMITMENTS

(a) Lease commitments

At 31st March, 2001, the Group and the Company had commitments under operating leases to make payments in the next year as follows:

The Group

	2001		2000	
	Land and buildings \$'000	Plant and machinery and others \$'000	Land and buildings \$'000	Plant and machinery and others \$'000
<i>Leases expiring:</i>				
Within 1 year	1,512	109	1,594	639
After 1 year but within 5 years	14,360	2,865	11,484	2,762
	15,872	2,974	13,078	3,401

The Company

	2001		2000	
	Land and buildings \$'000	Plant and machinery and others \$'000	Land and buildings \$'000	Plant and machinery and others \$'000
<i>Leases expiring:</i>				
Within 1 year	3,090	—	—	314
After 1 year but within 5 years	6,331	—	9,150	—
	9,421	—	9,150	314

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

25 COMMITMENTS (continued)

(b) *Capital commitments*

At 31st March, 2001, there were outstanding commitments for capital expenditure not provided for in the accounts as follows:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Contracted for	8,771	8,990	5,896	3,945
Authorised but not contracted for	109,982	304,588	34,237	44,377
	118,753	313,578	40,133	48,322

26 CONTINGENT LIABILITIES

- (i) At 31st March, 2001, the Company had contingent liabilities in respect of the following:

	2001 \$'000	2000 \$'000
Guarantees issued in respect of facilities granted by banks to certain subsidiaries	110,886	63,655

On 26th August, 1999 and 23rd March, 2001, the Company entered into agreements to guarantee banking facilities of \$21 million and \$44 million granted to its non-wholly owned subsidiaries, The Shenzhen Vitasoy (Guang Ming) Foods and Beverage Company Limited and Vitasoy Australia Products Pty. Ltd. respectively. The contingent liabilities in respect of these guarantees are included above.

- (ii) The Company has given undertakings to certain wholly-owned subsidiaries to provide them with such financial assistance as is necessary to maintain them as going concerns.
- (iii) At 31st March, 2001, three death lawsuits have been filed against Nasoya Foods Inc., a subsidiary of the Company, related to a traffic accident. Other claims are in the process of being filed. Nasoya Foods Inc. has insurance coverage current in force to cover the claims. The insurance company is responsible for the cost of defending any claims. However, the lawsuits are in the early stage, and liability, if any, in excess of insured amounts cannot be estimated. In the opinion of the management, this matter is not anticipated to have a material adverse effect on the financial position, results of operations, or cash flows of the Group based on current available information. No provision has therefore been made in respect of these claims.

27 STAFF RETIREMENT SCHEMES

- (a) The Group currently operates a defined contribution benefit plan which is available to all eligible staff employed by the Group in Hong Kong and Macau before 1st August, 2000. The plan is funded by contributions from employees and the Group, which contributes sums representing 5 - 7.5% of basic salaries. Forfeited contributions are not used to reduce the level of the Group's contributions.

For staff employed by the Group in Hong Kong not joining the defined contribution retirement benefit plan, they are required to join the Group's mandatory provident fund scheme commencing 1st December, 2000. The Group has chosen to follow the minimum statutory contribution requirement.

The assets of the defined contribution retirement benefit plan and the mandatory provident fund are held separately from those of the Group.

Employees engaged by the Group outside Hong Kong and Macau are covered by local arrangements. The overseas arrangements are defined contribution schemes.

- (b) In addition to the defined contribution benefit plan and mandatory provident fund as stated above, certain employees, who completed a prescribed minimum period of services and joined the Group before specific dates, are entitled to retirement gratuities upon retirement. The gratuity is based on the last month's salary and the number of years of service. The relevant obligation is not funded by any assets held separately from those of the Group.

Movements in the provision for retirement gratuities and long service payments recognised in the balance sheets are as follows:

	The Group	The Company
	2001	2001
	\$'000	\$'000
At 1st April, 2000 as previously reported	16,327	16,278
Change in accounting policy recognised in retained earnings (note 1(k))	35,924	35,377
Provision at 1st April, 2000	52,251	51,655
Charge for the year	3,307	3,175
Payment during the year	(2,183)	(2,183)
Balance at 31st March, 2001	53,375	52,647
Balance payable within 1 year included in "Trade and other payables" (note 19)	(15,419)	(15,000)
	37,956	37,647

- (c) Employees who have completed the required number of years service under the Hong Kong Employment Ordinance are eligible for long service payments on termination of their employment. The management considers that all of the Group's liability under long service payments can be met out of the Group's defined contribution scheme, mandatory provident fund and the provision for retirement gratuities and long service payments.

Notes on the Accounts (continued)

(Expressed in Hong Kong dollars)

28 MATERIAL RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year (2000: Nil).

29 COMPARATIVE FIGURES

Packaging materials amounting to \$6,198,000 which were included in "Trade and other receivables" in the 2000 accounts have been reclassified under "Inventories" in order to conform with the current year's presentation.

Staff costs amounting to \$14,616,000 included in the inventories and other operating expenses in the 2000 accounts have been included in the disclosure of staff costs in note 5 on the accounts in order to conform with the current year's presentation.