

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*For the six months ended September 30, 2001*

### **1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

In preparing the interim financial statements, the Directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of approximately HK\$64,850,000 at September 30, 2001.

The deemed substantial shareholder has confirmed that the loan to the Group in the sum of approximately HK\$48,059,000 will not be repayable so as to render the Group insolvent. Furthermore, on the basis that the deemed substantial shareholder has confirmed his willingness to grant further financial support to the Group, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the interim financial statements have been prepared on a going concern basis.

All of the activities of the Group are based in Hong Kong and all of the Group's turnover and operating loss are derived from Hong Kong.

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

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended March 31, 2001, except as disclosed below.

In the Period, the Group has adopted, for the first time, the following new Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants:

#### **Goodwill**

In the Period, the Group has adopted Statement of Standard Accounting Practice No. 30 "Business Combinations" ("SSAP 30") and has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation in respect of goodwill between the date of acquisition of the relevant subsidiaries and the date of adoption of SSAP 30 has been recognised retrospectively. The effect of these adjustments is summarised in Note 3. Following restatement, goodwill is presented as an asset in the balance sheet. Goodwill is amortised over its estimated useful life, i.e. over a period of 3 years.

### 3. PRIOR PERIOD ADJUSTMENT

The financial effect of the adoption of SSAP 30 described in Note 2 is summarised below:

	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Goodwill reserve</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance at April 1, 2000			
As originally stated	(100,732)	(28,717)	(129,449)
Restatement as an asset of goodwill held in reserves with retrospective recognition of accumulated amortisation	<u>(28,717)</u>	<u>28,717</u>	<u>—</u>
As restated	(129,449)	—	(129,449)
Loss for the year	<u>(78,099)</u>	<u>—</u>	<u>(78,099)</u>
Balance at March 31, 2001	(207,548)	—	(207,548)
Loss for the Period	<u>(23,640)</u>	<u>—</u>	<u>(23,640)</u>
<b>Balance at September 30, 2001</b>	<b><u>(231,188)</u></b>	<b><u>—</u></b>	<b><u>(231,188)</u></b>

### 4. DEPRECIATION

During the Period, depreciation of HK\$10.2 million (2000: HK\$11.7 million) was charged in respect of the Group's property, plant and equipment.

### 5. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the interim financial statements as the Group has no assessable profit during the Period.

### 6. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders of approximately HK\$23,640,000 (2000: HK\$42,887,000) and the weighted average number of 1,190,490,000 (2000: 594,778,000) shares in issue during the Period.

No diluted loss per share has been presented as the exercise of the Company's warrants does not result in any dilutive effect.

## 7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment at cost of approximately HK\$3,219,000.

In addition, the Group disposed of property, plant and equipment with aggregate carrying value of approximately HK\$6,196,000 for proceeds of HK\$1,698,000, resulting in loss on disposal of approximately HK\$4,498,000.

At September 30, 2001, the directors have considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the Period.

## 8. TRADE DEBTORS

The Group does not define a fixed credit policy as its major trade debtors arise from credit card sales.

The following is an aged analysis of trade debtors at the reporting date:

	<b>September 30, 2001 (unaudited) HK\$'000</b>	March 31, 2001 (audited) HK\$'000
0-30 days	1,169	875
31-60 days	82	203
61-90 days	—	8
> 90 days	—	82
	<u>1,251</u>	<u>1,168</u>

## 9. TRADE CREDITORS

The following is an aged analysis of trade creditors at the reporting date:

	<b>September 30, 2001 (unaudited) HK\$'000</b>	March 31, 2001 (audited) HK\$'000
0-30 days	5,349	6,165
31-60 days	5,416	5,456
61-90 days	1,401	1,770
> 90 days	528	685
	<u>12,694</u>	<u>14,076</u>

## 10. RELATED PARTY TRANSACTIONS

During the Period, the Group had the following significant transactions with related parties:

- (a) During the Period, additional amounts totalling HK\$10,000,000 (2000: HK\$28,200,000) were advanced by Mr. Yeung Sau Shing, Albert ("Mr. Albert Yeung"), a deemed substantial shareholder of the Company. The loan is unsecured and interest bearing at the rate of one percent over the best lending rate and has no fixed repayment term. During the Period, interest of approximately HK\$1,683,000 (2000: HK\$4,021,000) was accrued on the advance.
- (b) On April 25, 2000, Best Mix Limited, a wholly-owned subsidiary of the Company, was granted the sole and exclusive right to use the name and likeness of Dr. Chan Kong Sang, Jackie ("Dr. Jackie Chan"), the Chairman of the Company, on the internet to promote any food and/or beverages and/or any related products for a term of one year at a consideration of HK\$10 million. The consideration was satisfied by payment of HK\$5 million in cash and by the issue of 5,000,000 shares of HK\$0.10 each in the Company at HK\$1 each. During the Period, no selling and distribution expenses were recorded in respect of the above-mentioned agreement (2000: HK\$5,000,000).
- (c) The Group also had the following transactions with companies in which a deemed substantial shareholder had beneficial interests:

Contracting party	Nature of transaction	Terms	Amount for the period ended	Amount for the period ended
			September 30, 2001 HK\$'000	September 30, 2000 HK\$'000
China-V (HK) Ltd. (note 1)	Purchase of food products	N/A	1,374	1,887
Emperor Investment (Management) Limited (note 2)	Management fees paid	HK\$70,000 per month	420	420

Notes:

1. China-V (HK) Limited is an indirect wholly-owned subsidiary of Emperor Technology Venture Limited, a listed company of which Mr. Albert Yeung was deemed to be a substantial shareholder.
  2. Emperor Investment (Management) Limited is an indirect wholly-owned subsidiary of Emperor International Holdings Limited, a listed company of which Mr. Albert Yeung was deemed to be a substantial shareholder.
- (d) Amount due from an associate totalling HK\$1,217,000 (2000: HK\$1,189,000) is unsecured, non-interest bearing and not repayable within the next twelve months.