

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements 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 financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

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

(c) Subsidiaries

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

An investment in a subsidiary is consolidated into the consolidated financial statements. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(f)).

(d) Associates

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

An investment in an associate is accounted for in the consolidated financial statements 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 income statement 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.

(e) Fixed assets and depreciation

- (i) Land and buildings are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(f)). 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%.

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Fixed assets and depreciation (continued)

- (ii) Other fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(f)). Depreciation is calculated to write off the cost of other fixed assets on a straight-line basis over their estimated useful lives at the following annual rates:

Factory machinery and equipment	6 – 25%
Fixtures, furniture and office equipment	9 – 33%
Motor vehicles	18 – 25%

- (iii) 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 Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(f) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets; and
- interest in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (continued)

(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 time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(g) Inventories

Inventories are stated 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 bank overdrafts and advances from banks repayable on demand or within three months from the date of the advance.

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 income statement as follows:

(i) Sales of goods

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

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(iii) Dividend

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment has been established.

(j) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(f). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(k) Retirement costs

(i) Defined contribution retirement schemes and mandatory provident fund

Retirement costs of defined contribution retirement schemes and mandatory provident fund (together "the schemes") are charged to the income statement at rates specified in the rules of the schemes.

(ii) Provision for retirement gratuities

The retirement gratuities 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 income statement.

(l) Borrowing costs

Borrowing costs are expensed in the income statement 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) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) *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.

(o) *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 are dealt with in the income statement.

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

(p) *Related parties*

For the purposes of these financial statements, 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 other entities.

(q) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

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 OTHER REVENUE

	2002 \$'000	2001 \$'000
Interest income	12,457	21,133
Commission income	4,891	5,585
Rental income	1,355	1,355
Sundry income	5,198	5,199
	23,901	33,272

4 RESTRUCTURING COST

During the year, the Group has undergone a restructuring of its operations in the US whereby the operations in the East Coast and West Coast were integrated into one. The San Francisco office was closed and its general and administrative functions have been consolidated into one office in Ayer, Massachusetts. The restructuring cost comprises:

	2002 \$'000
Severance payments	7,821
Provision for the operating lease charges for the San Francisco office after its relocation	3,915
Others	822
	12,558

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2002	2001
	\$'000	\$'000
<hr/>		
(a) Finance cost:		
Finance charges on obligations under finance leases	89	–
Interest on bank loans and bank overdrafts, and other loans wholly repayable within five years	17,266	12,951
	17,355	12,951
<hr/>		
(b) Other items:		
Depreciation		
– assets held for use under operating leases	711	711
– assets held for use under finance leases	73	–
– other assets	100,972	86,906
Auditors' remuneration	2,290	2,006
Operating lease charges		
– hire of plant, machinery and equipment	6,327	7,913
– rental of premises	23,046	16,605
Staff costs (including retirement costs of \$17,967,000 (2001: \$14,202,000))	439,244	401,281
Cost of inventories	1,058,982	976,010
Impairment loss on fixed assets	2,068	–
	1,058,982	976,010
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6 TAXATION

(a) Taxation in the consolidated income statement represents:

	2002 \$'000	2001 \$'000
Provision for Hong Kong profits tax for the year (Overprovision)/underprovision for Hong Kong profits tax in respect of prior years	34,271 (604)	35,086 252
	33,667	35,338
Overseas taxation	1,667	477
Deferred taxation (note 26(a))	(2,419)	(370)
Share of associates' taxation	38	110
	32,953	35,555

The provision for Hong Kong profits tax is calculated at 16% (2001:16%) of the estimated assessable profits for the year ended 31st March, 2002. 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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Provision for Hong Kong profits tax for the year	34,271	35,086	31,589	32,430
Provisional profits tax paid	(26,484)	(14,691)	(23,993)	(12,487)
	7,787	20,395	7,596	19,943
Overseas taxation	1,358	609	-	-
	9,145	21,004	7,596	19,943

Details of deferred taxation are set out in note 26 on the financial statements.

Notes on the Financial Statements (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:

	2002	2001
	\$'000	\$'000
Fees	1,132	1,294
Other emoluments		
Basic salaries, housing allowances, other allowances and benefits in kind	11,267	10,618
Contributions to pension scheme	426	416
Performance related and discretionary bonuses	3,977	5,840
Retirement gratuities received upon retirement age	3,865	–
	20,667	18,168

Included in the Directors' remuneration are fees of \$408,000 (2001: \$564,000) 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 "Share option scheme" 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 a reliable assessment of the value of the options granted to the respective directors until the date they are exercised.

The Directors' remuneration is within the following bands:

	2002	2001
	Number	Number
\$0 to \$1,000,000	6	5
\$1,500,001 to \$2,000,000	1	–
\$2,000,001 to \$2,500,000	–	1
\$2,500,001 to \$3,000,000	2	2
\$3,000,001 to \$3,500,000	1	–
\$3,500,001 to \$4,000,000	–	1
\$6,000,001 to \$6,500,000	–	1
\$9,000,001 to \$9,500,000	1	–

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2001: five) are directors whose emoluments are disclosed in note 7. The emoluments in respect of the other one (2001: Nil) individual are as follows:

	2002 \$'000
Basic salary, housing allowance, other allowances and benefits in kind	1,815
Contribution to pension scheme	60
Performance related and discretionary bonuses	392
	2,267

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of \$33,841,000 (2001 (restated): \$61,330,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2002 \$'000	2001 \$'000
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements	33,841	61,330
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year (note 28(b))	25,982	-
Company's profit for the year (note 28(b))	59,823	61,330

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

10 DIVIDENDS

(a) Dividends attributable to the year

	2002	2001
	\$'000	\$'000
Interim dividend declared and paid of 2.8 cents per share (2001: 2.8 cents per share) (notes 28(a) and (b))	27,233	27,287
Final dividend proposed after the balance sheet date of 5.1 cents per share (2001: 5.1 cents per share)	49,679	49,701
	76,912	76,988

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividend attributable to the previous financial year, approved and paid during the year

	2002	2001
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 5.1 cents per share (2001: 4.5 cents per share) (notes 28(a) and (b))	49,701	43,520

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$86,931,000 (2001: \$128,146,000) and the weighted average number of 973,509,000 ordinary shares (2001: 974,463,000 ordinary shares) in issue during the year.

11 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of \$86,931,000 (2001: \$128,146,000) and the weighted average number of 975,459,000 ordinary shares (2001: 975,131,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliation

	2002	2001
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares used in calculating basic earnings per share	973,509	974,463
Deemed issue of ordinary shares for no consideration arising from share options	1,950	668
Weighted average number of ordinary shares used in calculating diluted earnings per share	975,459	975,131

12 CHANGES IN ACCOUNTING POLICIES

(a) Dividends

In prior years, dividends declared or proposed were recognised as a liability in the accounting period to which they related. With effect from 1st April, 2001, in order to comply with Statement of Standard Accounting Practice 9 (revised) "Events after the balance sheet date", issued by the Hong Kong Society of Accountants, the Group recognises dividends declared or proposed as a liability in the accounting period in which they are declared by the Directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). Consequently, dividend income from subsidiaries is recognised as income in the Company's income statement in the accounting period in which the right to receive the dividend has been established.

As a result of the new accounting policy, the Group's net assets as at the year end have been increased by \$49,679,000 (2001: \$49,701,000). There is no impact on the Group's profit attributable to shareholders for the years presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior years.

(b) Retirement gratuities

A change in the accounting policy of retirement gratuities was made in the previous year. Prior to 1st April, 2000, the cost of retirement gratuities was charged to the income statement when the gratuities became vested. With effect from 1st April, 2000, the Group changed the basis of recognition of the retirement gratuities provision to a policy as set out in note 1(k).

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

13 SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of assets is chosen because this is in line with the Group's internal management information reporting system.

No business segments analysis of the Group is presented as all the Group's turnover and trading result are generated from the manufacture and distribution of food and beverages.

	Hong Kong		North America		The Mainland		Australia and New Zealand		Unallocated		Consolidated	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from external customers	1,167,803	1,054,601	493,169	438,347	488,546	519,424	42,638	–	–	–	2,192,156	2,012,372
Other revenue	10,324	11,699	–	–	952	399	–	–	12,625	21,174	23,901	33,272
Total revenue	1,178,127	1,066,300	493,169	438,347	489,498	519,823	42,638	–	12,625	21,174	2,216,057	2,045,644
Segment result	183,136	174,504	(51,573)	(23,699)	53,813	47,638	(9,552)	–	–	–	175,824	198,443
Unallocated operating income and expenses	–	–	–	–	–	–	–	–	–	–	(27,403)	(20,629)
Profit from operations	–	–	(12,558)	–	–	–	–	–	–	–	148,421	177,814
Restructuring cost	–	–	–	–	–	–	–	–	–	–	(12,558)	–
Compensation for traffic accident	–	–	(3,567)	–	–	–	–	–	–	–	(3,567)	–
Finance cost	–	–	–	–	–	–	–	–	–	–	(17,355)	(12,951)
Share of (losses)/profits of associates	(3,308)	647	–	–	–	–	–	–	–	–	(3,308)	647
Taxation	–	–	–	–	–	–	–	–	–	–	(32,953)	(35,555)
Minority interests	–	–	–	–	–	–	–	–	–	–	8,251	(1,809)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	–	–	86,931	128,146
Depreciation for the year	46,033	40,917	17,082	15,592	31,916	31,108	6,725	–	–	–	101,756	87,617
Impairment loss for the year	–	–	–	–	2,068	–	–	–	–	–	2,068	–
Segment assets	638,328	665,551	317,023	316,987	392,105	427,402	121,733	77,168	–	–	1,469,189	1,487,108
Interest in associates	11,593	14,860	–	–	–	–	–	–	–	–	11,593	14,860
Unallocated assets	–	–	–	–	–	–	–	–	–	–	407,600	363,543
Total assets	–	–	–	–	–	–	–	–	–	–	1,888,382	1,865,511
Segment liabilities	169,230	178,981	51,837	69,704	113,214	120,352	7,682	–	–	–	341,963	369,037
Unallocated liabilities	–	–	–	–	–	–	–	–	–	–	323,438	272,726
Total liabilities	–	–	–	–	–	–	–	–	–	–	665,401	641,763
Capital expenditure incurred during the year	44,300	30,729	30,351	59,876	8,725	482	27,947	77,152	–	–	111,323	168,239

13 SEGMENT REPORTING (continued)

Revenue from external customers by the location of customers is as follows:

	2002 \$'000	2001 \$'000
Hong Kong	1,349,911	1,261,219
North America	560,243	499,351
The Mainland	140,096	140,184
Australia and New Zealand	78,090	54,879
Others	63,816	56,739
	2,192,156	2,012,372

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

14 FIXED ASSETS

(a) The Group

	Land and buildings \$'000	Factory machinery and equipment \$'000	Fixtures, furniture and office equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost:					
At 1st April, 2001	543,628	815,902	107,320	66,600	1,533,450
Exchange adjustments	4,727	5,402	195	96	10,420
Additions	2,265	94,616	13,189	1,253	111,323
Disposals	(838)	(52,289)	(4,065)	(5,949)	(63,141)
At 31st March, 2002	549,782	863,631	116,639	62,000	1,592,052
Accumulated depreciation:					
At 1st April, 2001	86,058	416,236	71,493	55,556	629,343
Exchange adjustments	201	1,127	90	57	1,475
Impairment loss	241	1,827	–	–	2,068
Charge for the year	17,166	66,464	13,625	4,501	101,756
Written back on disposal	(551)	(51,415)	(3,783)	(4,958)	(60,707)
At 31st March, 2002	103,115	434,239	81,425	55,156	673,935
Net book value:					
At 31st March, 2002	446,667	429,392	35,214	6,844	918,117
At 31st March, 2001	457,570	399,666	35,827	11,044	904,107

Impairment loss

During the year, the Company's subsidiary, Vitasoy (Shanghai) Company Limited, ceased the production of bottled drinks and the related fixed assets have been left unused. The carrying value of those fixed assets amounting to \$2,068,000 was fully impaired (included in "Other operating expenses").

14 FIXED ASSETS (continued)*(b) The Company*

	Land and buildings \$'000	Factory machinery and equipment \$'000	Fixtures, furniture and office equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost:					
At 1st April, 2001	165,731	342,212	61,360	50,321	619,624
Additions	–	27,794	3,025	375	31,194
Disposals	(838)	(50,671)	(3,127)	(2,175)	(56,811)
At 31st March, 2002	164,893	319,335	61,258	48,521	594,007
Accumulated depreciation:					
At 1st April, 2001	36,073	261,933	44,061	45,396	387,463
Charge for the year	4,970	22,406	5,916	2,332	35,624
Written back on disposal	(552)	(50,224)	(3,078)	(2,173)	(56,027)
At 31st March, 2002	40,491	234,115	46,899	45,555	367,060
Net book value:					
At 31st March, 2002	124,402	85,220	14,359	2,966	226,947
At 31st March, 2001	129,658	80,279	17,299	4,925	232,161

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

14 FIXED ASSETS (continued)

(c) The analysis of cost of land is as follows:

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
In Hong Kong				
– medium-term lease	185,045	185,045	77,014	77,014
Outside Hong Kong				
– freehold	8,053	7,757	–	–
– medium-term lease	6,540	6,481	–	–
– short-term lease	1,399	1,385	–	–
	201,037	200,668	77,014	77,014

(d) The Group leases office equipment under finance leases expiring in four years. At the end of the lease term the Group has the option to purchase the office equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals. The net book value of the office equipment held under finance leases of the Group at 31st March, 2002 was \$1,025,000 (2001: \$Nil).

(e) The Group and the Company leases out fixed assets under operating leases. The leases run for an initial period of three years, with an option to renew the lease after that date at which time all terms are renegotiated. The leases do not include contingent rentals.

The Group and the Company's total future lease payments receivable under the non-cancellable operating leases are as follows:

	The Group and the Company	
	2002 \$'000	2001 \$'000
Within 1 year	565	678

The gross amount of fixed assets of the Group and the Company held for use in operating leases at 31st March, 2002 was \$22,698,000 (2001: \$22,698,000) and the related accumulated depreciation charge was \$5,806,000 (2001: \$5,095,000).

(f) At 31st March, 2002, the net book value of fixed assets of the Group pledged as security for liabilities was \$196,795,000 (2001: \$184,604,000).

15 INTEREST IN SUBSIDIARIES

	The Company	
	2002 \$'000	2001 \$'000
Unlisted investments, at cost	107,597	107,597
Amounts due from subsidiaries	693,209	676,199
Impairment losses	(361,770)	(212,234)
	439,036	571,562

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

Details of the principal subsidiaries at 31st March, 2002 are as follows:

Name of company	Place of incorporation and operation	Issued and paid-up share capital/ registered capital	Proportion of ownership in 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	EUR18,000	–	100	Investment holding
Vitasoy (UK) Investments Company Limited	United Kingdom	GBP2	100	–	Investment holding
Vitasoy USA Inc.	United States of America	US\$12,061,000 Common stock	–	100	Manufacture and sale of soy related products
		US\$22,400,000 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
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

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

15 INTEREST IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and operation	Issued and paid-up share capital/ registered capital	Proportion of ownership interest held by the Company		Principal activities
			directly %	indirectly %	
Vitasoy (Shanghai) Company Limited (note ii)	People's Republic of China	RMB142,907,117	–	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	–	–	
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 tuck shops
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
Hong Kong Gourmet Limited	Hong Kong	\$20	–	100	Provision of catering services

Notes:

- (i) Shenzhen Vitasoy (Guang Ming) Foods and Beverage Company Limited is a sino-foreign equity joint venture established in the People's Republic of China and is 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.

16 INTEREST IN ASSOCIATES

	The Group	
	2002 \$'000	2001 \$'000
Share of net assets	11,767	15,113
Amounts due to associates	(174)	(253)
	11,593	14,860

The consolidated profit attributable to shareholders for the year includes a loss of \$3,346,000 (2001: profit of \$537,000) attributable to the associates.

Details of the principal associate are as follows:

Name of company	Place of incorporation and operation	Proportion of ownership interest 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 Financial Statements (continued)

(Expressed in Hong Kong dollars)

17 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, 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	
	2002 \$'000	2001 \$'000
Within one year (note 19)	5,385	6,129
After one year	–	6,101
	5,385	12,230

The Company has financed the loans with bank facilities established for this purpose. The balance of the utilised banking facilities as at 31st March, 2002 is included in bank loans and bank overdrafts under current liabilities.

18 INVENTORIES

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Raw materials	114,774	128,917	49,187	46,718
Finished goods	79,023	95,168	30,072	33,075
	193,797	224,085	79,259	79,793

Included in the inventories of the Group are finished goods of \$219,000 (2001: \$362,000) and raw materials of \$23,190,000 (2001: \$25,743,000), stated net of provisions, made in order to state these inventories at the lower of their cost and estimated net realisable value.

Included in raw materials of the Company are inventories of \$5,659,000 (2001: \$3,698,000) stated net of a provision, made in order to state these inventories at the lower of their cost and estimated net realisable value.

At 31st March, 2002, the carrying amount of inventories of the Group pledged as security for liabilities was \$40,818,000 (2001: \$55,779,000).

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade debtors and bills receivable	290,458	280,980	188,555	183,845
Deposits, prepayments and other debtors	31,845	29,558	12,943	9,768
Current portion of long-term loans (note 17)	5,385	6,129	5,385	6,129
	327,688	316,667	206,883	199,742

The ageing analysis of trade debtors and bills receivable (net of provisions for bad and doubtful debts) is as follows:

By date of invoice

0 – 3 months	250,943	238,425	154,581	146,361
4 – 6 months	38,444	41,833	33,974	37,484
Over 6 months	1,071	722	–	–
	290,458	280,980	188,555	183,845

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.

20 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 Financial Statements (continued)

(Expressed in Hong Kong dollars)

21 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Bank deposits maturing within three months (note 29(c))	315,075	278,437	280,768	226,698
Cash at bank and in hand (note 29(c))	35,062	48,485	4,754	25,915
	350,137	326,922	285,522	252,613

At 31st March, 2002, cash at bank and in hand of the Group pledged as security for liabilities was \$8,031,000 (2001: \$12,429,000).

22 BANK LOANS AND BANK OVERDRAFTS

At 31st March, 2002, the bank loans and bank overdrafts were repayable as follows:

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Within 1 year or on demand	304,755	185,377	6,949	30,993
After 1 year but within 2 years	-	53,228	-	-
After 2 years but within 5 years	-	1,827	-	-
	-	55,055	-	-
	304,755	240,432	6,949	30,993

At 31st March, 2002, the bank loans and bank overdrafts were secured as follows:

Unsecured bank overdrafts	8,417	15,127	6,949	12,393
Bank loans				
– secured	95,720	73,681	-	-
– unsecured	200,618	151,624	-	18,600
	304,755	240,432	6,949	30,993

At 31st March, 2002, borrowings totalling \$95,720,000 (2001: \$73,681,000) are secured by certain assets of the Group.

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2002 \$'000	Restated 2001 \$'000	2002 \$'000	2001 \$'000
Trade creditors and bills payable	150,455	165,167	89,399	105,636
Accrued expenses and other payables	140,784	150,612	51,509	55,651
Provision for retirement gratuities and long service payments (note 32(b))	17,300	15,419	17,000	15,000
	308,539	331,198	157,908	176,287

The ageing analysis of trade creditors and bills payable is as follows:

By date of invoice

0 – 3 months	145,723	160,315	89,301	105,607
4 – 6 months	4,641	2,623	7	–
Over 6 months	91	2,229	91	29
	150,455	165,167	89,399	105,636

24 NON-CURRENT INTEREST-BEARING BORROWINGS

	The Group	
	2002 \$'000	2001 \$'000
Bank loans (secured) (note 22)	–	55,055
Other non-current liabilities	–	476
	–	55,531

Other non-current liabilities at 31st March, 2001 were repayable after 1 year but within 2 years.

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

25 OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2002, the Group had obligations under finance leases repayable as follows:

	2002		2001			
	Present	Interest	Total	Present	Interest	Total
	value of the	expense	lease	value of the	expense	lease
	payments	relating	payments	payments	relating	payments
	\$'000	to future	\$'000	\$'000	to future	\$'000
	\$'000	periods	\$'000	\$'000	periods	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	211	69	280	–	–	–
After 1 year but within 2 years	233	47	280	–	–	–
After 2 years but within 5 years	348	25	373	–	–	–
	581	72	653	–	–	–
	792	141	933	–	–	–

26 DEFERRED TAXATION

(a) Movements on deferred taxation comprise:

	The Group and the Company	
	2002	2001
	\$'000	\$'000
At 1st April	10,697	11,067
Transfer to the income statement (note 6(a))	(2,419)	(370)
At 31st March	8,278	10,697

26 DEFERRED TAXATION (continued)

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

	2002		2001	
	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000
Depreciation allowances in excess of related depreciation	12,304	5,790	13,838	4,669
General provisions	(4,026)	(7,586)	(3,141)	(10,282)
Future benefit of tax losses	–	(118,786)	–	(65,550)
	8,278	(120,582)	10,697	(71,163)

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

	2002		2001	
	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000	Provided \$'000	Potential liabilities/ (assets) unprovided \$'000
Depreciation allowances in excess of related depreciation	12,304	–	13,838	–
General provisions	(4,026)	–	(3,141)	–
	8,278	–	10,697	–

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

27 SHARE CAPITAL

	2002		2001	
	Number of shares ('000)	Amount \$'000	Number of shares ('000)	Amount \$'000
<i>Authorised:</i>				
Ordinary shares of \$0.25 each	3,200,000	800,000	3,200,000	800,000
<i>Issued and fully paid:</i>				
At 1st April	974,526	243,631	649,795	162,449
Bonus issue (note (b))	–	–	324,777	81,194
Shares issued on exercise of share options (note (c))	–	–	196	48
Shares repurchased (note (d))	(1,930)	(483)	(242)	(60)
At 31st March	972,596	243,148	974,526	243,631

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 ordinary shares, credited as fully paid, was made by way of capitalisation of \$81,194,000 from retained profits on the basis of one new ordinary share for every two existing ordinary shares held on 6th September, 2000.
- (c) During the year, no share options were exercised to subscribe for ordinary shares in the Company. During the year ended 31st March, 2001, options were exercised to subscribe for 196,000 ordinary 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.

At 31st March, 2002, options to subscribe for 31,848,000 ordinary shares under the Company's share option scheme were unexercised (2001: 62,721,000 ordinary shares). The options may be exercised in periods up to 31st July, 2003 and 31st August, 2005 at prices of \$1.104 and \$1.193 per share respectively.

27 SHARE CAPITAL (continued)

(d) During the year, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/Year	Number of shares repurchased (‘000)	Price per share paid		Aggregate price paid \$’000
		Highest \$	Lowest \$	
September 2001	1,930	1.15	1.04	2,115

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of \$483,000 was transferred from the retained profits to the capital redemption reserve (notes 28(a) and (b)). The premium paid on the repurchase of the shares of \$1,632,000 was charged to the retained profits (notes 28(a) and (b)).

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

28 RESERVES

(a) *The Group*

Movements on reserves comprise:

	2002 \$'000	2001 \$'000
Share premium		
At 1st April	267,574	267,407
Premium on issue of shares	–	167
At 31st March	267,574	267,574
Capital reserve		
At 1st April	108,261	112,348
Transfer to retained profits	(4,086)	(4,087)
At 31st March	104,175	108,261
Capital redemption reserve		
At 1st April	618	558
Transfer from retained profits for repurchase of own shares (note 27(d))	483	60
At 31st March	1,101	618
Legal reserve		
At 1st April	2,928	1,766
Transfer from retained profits	2,480	1,162
At 31st March	5,408	2,928
General reserve		
At 1st April and 31st March	2,261	2,261
Exchange reserve		
At 1st April	(35,853)	(31,439)
Exchange differences arising on consolidation	3,576	(4,414)
At 31st March	(32,277)	(35,853)
Retained profits		
At 1st April		
– as previously reported	538,754	566,232
– prior period adjustment in respect of dividend proposed (note 12(a))	49,701	43,520
– as restated	588,455	609,752
Dividend approved in respect of the previous year (note 10(b))	(49,701)	(43,520)
Profit for the year	86,931	128,146
Dividend declared in respect of the current year (note 10(a))	(27,233)	(27,287)
Repurchase of own shares (note 27(d))		
– premium paid	(1,632)	(307)
– transfer to capital redemption reserve	(483)	(60)
Bonus issue	–	(81,194)
Transfer to legal reserve	(2,480)	(1,162)
Transfer from capital reserve	4,086	4,087
At 31st March	597,943	588,455
Total at 31st March	946,185	934,244

28 RESERVES (continued)*(b) The Company*

Movements on reserves comprise:

	2002 \$'000	2001 \$'000
Share premium		
At 1st April	267,574	267,407
Premium on issue of shares	–	167
At 31st March	267,574	267,574
Capital reserve		
At 1st April	108,261	112,348
Transfer to retained profits	(4,086)	(4,087)
At 31st March	104,175	108,261
Capital redemption reserve		
At 1st April	618	558
Transfer from retained profits for repurchase of own shares (note 27(d))	483	60
At 31st March	1,101	618
General reserve		
At 1st April and 31st March	2,261	2,261
Retained profits		
At 1st April		
– as previously reported	602,550	669,700
– prior period adjustment in respect of:		
– dividend proposed (note 12(a))	49,701	43,520
– dividend income (notes 9 and 12(a))	(25,982)	–
– as restated	626,269	713,220
Dividend approved in respect of the previous year (note 10(b))	(49,701)	(43,520)
Profit for the year (note 9)	59,823	61,330
Dividend declared in respect of the current year (note 10(a))	(27,233)	(27,287)
Repurchase of own shares (note 27(d))		
– premium paid	(1,632)	(307)
– transfer to capital redemption reserve	(483)	(60)
Bonus issue	–	(81,194)
Transfer from capital reserve	4,086	4,087
At 31st March	611,129	626,269
Total at 31st March	986,240	1,004,983

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

28 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 financial statements of foreign subsidiaries (note 1(o)).
- (iii) The legal reserve has been set up by 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, \$4,086,000 (2001: \$4,087,000) is transferred from capital reserve to retained profits.

(d) The balance on the consolidated retained profits (note 28(a)) at the end of each year is analysed as follows:

	2002 \$'000	Restated 2001 \$'000
Parent company and subsidiaries	600,759	587,925
Associates	(2,816)	530
	597,943	588,455

(e) Reserves available for distribution

	The Company	
	2002 \$'000	Restated 2001 \$'000
General reserve	2,261	2,261
Retained profits	611,129	626,269
	613,390	628,530

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from ordinary activities before share of (losses)/profits of associates to net cash inflow from operating activities:

	2002 \$'000	2001 \$'000
Profit from ordinary activities before share of (losses)/profits of associates	114,941	164,863
Interest income	(12,457)	(21,133)
Finance charges on obligations under finance leases	89	–
Interest expenses	17,266	12,951
Depreciation	101,756	87,617
(Gain)/loss on disposal of fixed assets	(618)	342
Impairment loss on fixed assets	2,068	–
Decrease in amounts due to associates	(79)	(111)
Decrease in inventories	30,288	6,560
Increase in trade and other receivables (excluding current portion of long-term loans receivable)	(11,765)	(45,261)
Decrease in trade and other payables (excluding current portion of provision for retirement gratuities and long service payments)	(25,817)	(11,708)
(Decrease)/increase in provision for retirement gratuities and long service payments	(2,183)	1,124
Effect of foreign exchange	839	(9,332)
Net cash inflow from operating activities	214,328	185,912

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

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

	Share capital (including share premium) \$'000	Minority interests (Restated) \$'000	Borrowings repayable after three months \$'000	Obligations under finance leases \$'000
Balance at 1st April, 2000	429,856	26,221	126,685	–
Cash inflow from financing	215	25,394	63,114	–
Cash outflow from financing	–	–	(39,428)	–
Shares repurchased	(60)	–	–	–
Bonus issue	81,194	–	–	–
Minority interests in profit for the year less dividend paid and payable	–	(1,329)	–	–
Effect of foreign exchange rates	–	(4,413)	238	–
Balance at 31st March, 2001	511,205	45,873	150,609	–
Balance at 1st April, 2001	511,205	45,873	150,609	–
Cash inflow from financing	–	–	222,895	–
Cash outflow from financing	–	–	(96,027)	(190)
Inception of finance leases	–	–	–	982
Shares repurchased	(483)	–	–	–
Minority interests in profit for the year less dividend paid and payable	–	(14,901)	–	–
Effect of foreign exchange rates	–	2,676	641	–
Balance at 31st March, 2002	510,722	33,648	278,118	792

The consideration paid for the repurchase of shares was \$2,115,000 (2001: \$367,000), which was paid out of retained profits.

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)*(c) Analysis of the balances of cash and cash equivalents:*

	2002 \$'000	2001 \$'000
Bank deposits maturing within three months (note 21)	315,075	278,437
Cash at bank and in hand (note 21)	35,062	48,485
Bank loans repayable within three months from the date of the advance and bank overdrafts	(26,637)	(90,299)
	323,500	236,623

(d) Non-cash transactions

During the year, the Group entered into finance leases with a total value of \$982,000 at the inception of the leases.

30 COMMITMENTS*(a) At 31st March, 2002, the total future lease payments under non-cancellable operating leases are payable as follows:***The Group**

	2002		2001	
	Land and buildings \$'000	Plant and machinery and others \$'000	Land and buildings \$'000	Plant and machinery and others \$'000
Within 1 year	18,659	2,029	15,697	2,974
After 1 year but within 5 years	10,580	1,218	16,769	3,334
After 5 years	45	-	-	-
	29,284	3,247	32,466	6,308

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

30 COMMITMENTS (continued)

(a) At 31st March, 2002, the total future lease payments under non-cancellable operating leases are payable as follows (continued):

The Company

	2002		2001	
	Land and buildings \$'000	Plant and machinery and others \$'000	Land and buildings \$'000	Plant and machinery and others \$'000
Within 1 year	508	–	996	–
After 1 year but within 5 years	96	–	32	–
	604	–	1,028	–

The Group leases a number of properties and items of plant and machinery and others under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(b) Capital commitments outstanding at 31st March, 2002 not provided for in the financial statements were as follows:

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Contracted for	226	8,771	–	5,896
Authorised but not contracted for	58,164	109,982	30,512	34,237
	58,390	118,753	30,512	40,133

31 CONTINGENT LIABILITIES

- (i) At 31st March, 2002, the Company had contingent liabilities in respect of the following:

	2002 \$'000	2001 \$'000
Guarantees issued in respect of facilities granted by banks to certain subsidiaries	199,810	110,886

- (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) During the year, three death lawsuits and several injury claims were filed against Nasoya Foods Inc. ("NFI"), one of the Company's subsidiaries, relating to a traffic accident that occurred in the prior year. NFI has established a provision for claims that was in excess of the insurance coverage amounting to \$3,567,000, of which \$2,006,000 has been paid before the year end. In the opinion of 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.

32 STAFF RETIREMENT SCHEMES

- (a) The Group currently operates a defined contribution retirement 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 credited to members' accounts in accordance with the rules of the plan.

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.

- (b) In addition to the defined contribution retirement 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 age. 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.

Notes on the Financial Statements (continued)

(Expressed in Hong Kong dollars)

32 STAFF RETIREMENT SCHEMES (continued)

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

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Provision at 1st April	53,375	52,251	52,647	51,655
Charge for the year	3,456	3,307	3,296	3,175
Payment during the year	(5,639)	(2,183)	(5,639)	(2,183)
Balance at 31st March	51,192	53,375	50,304	52,647
Balance payable within 1 year included in "Trade and other payables" (note 23)	(17,300)	(15,419)	(17,000)	(15,000)
	33,892	37,956	33,304	37,647

(c) Employees who have completed the required number of years of 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 retirement benefit plan, mandatory provident fund and the provision for retirement gratuities and long service payments.

(d) Employees engaged by the Group outside Hong Kong and Macau are covered by local arrangements, which are defined contribution schemes.

33 MATERIAL RELATED PARTY TRANSACTIONS

During the year, the products of the Group are distributed by a related party in Australia and a management fee is charged as a consideration of the provision of services. The management fee is calculated based on a pre-determined percentage of the gross sales of products distributed by the related party, which is on normal commercial terms and are on terms comparable to the prevailing market rate. Total management fee charged by the related party for the year amounted to \$2,234,000 (2001: \$856,000). The amount due to the related party as at 31st March, 2002 amounted to \$250,000 (2001: \$855,000).

This transaction also constitute a connected transaction under the Listing Rules.

34 POST BALANCE SHEET EVENTS

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 10.

35 COMPARATIVE FIGURES

Certain comparative figures have been restated as a result of a change in an accounting policy in respect of dividend recognition, details of which are set out in note 12(a).