

Notes to Financial Statements

31 December 2002

18. LONG TERM RECEIVABLES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Long term receivables from				
Lixcon Limited	24,431	25,431	24,431	25,431
Alpha Best Holdings Limited	2,700	13,000	–	–
	<u>27,131</u>	<u>38,431</u>	<u>24,431</u>	<u>25,431</u>
Portion classified under current assets	(2,700)	(17,000)	–	(9,000)
	<u>24,431</u>	<u>21,431</u>	<u>24,431</u>	<u>16,431</u>

Receivable from Lixcon Limited

As at 31 December 2002, the balance due from Lixcon Limited amounted to HK\$24,431,000 (the "Debt") (2001: HK\$25,431,000). The Debt represents the outstanding funds advanced to and trading balances with Lixcon Limited and its subsidiaries before their disposal by the Group in 1997. The Company entered into an agreement with Lixcon Limited in 2000 pursuant to which Lixcon Limited agreed to repay the outstanding balances in future years according to agreed repayment schedule. In accordance with the repayment schedule, full settlement of the outstanding amounts should have been made by March 2003.

During the year, the debtors defaulted on the repayment schedule and the Debt was overdue at date of this report. In April 2003, the directors filed a claim against the debtors and the two guarantors to recover the Debt. At this stage, the directors do not have sufficient information to ascertain either the possibility of recovering the Debt in full, or to determine the amount of a provision, if any, required to be reflected in the financial statements. The balance has been classified as a non-current asset at the balance sheet date as the date of settlement of the balance is uncertain at this stage.

Receivable from Alpha Best Holdings Limited

The receivable due from Alpha Best Holdings Limited ("Alpha Best") represents sales proceeds receivable for the disposal of the Company's subsidiaries, Sinatone Limited and Dongguan Meijiang Electronics Manufacturers Co., Ltd. in 2000. The Company entered into agreements with Alpha Best pursuant to which Alpha Best agreed to repay the outstanding amounts in subsequent years according to the agreed repayment schedule. The remaining balance was fully settled subsequent to the balance sheet date.

Notes to Financial Statements

31 December 2002

19. LONG TERM INVESTMENT

	Group and Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted equity investment, at cost	156,514	156,514
Provision for impairment	(155,520)	(154,700)
	<u>994</u>	<u>1,814</u>

The long term investment represents an unlisted investment of an 11.14% equity interest in a company incorporated in the British Virgin Islands, which owns a group of subsidiaries which ceased operations during the prior year. The investment is stated at cost less impairment as at the balance sheet date.

20. DEPOSIT FOR INVESTMENT

Group and Company

The deposit for investment has been paid for a proposed acquisition of an equity interest in an investment. During the year, the company has filed applications to the respective government body for the proposed investment. In the opinion of the directors, the investment will be effected once the final approval on certain legal documents has been obtained.

21. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	42,782	39,140
Work in progress	21,177	21,825
Finished goods	147,190	161,962
	<u>211,149</u>	<u>222,927</u>

The carrying amount of inventories carried at net realisable value included in the above balance was HK\$23,000 (2001: HK\$339,000) as at the balance sheet date.

Notes to Financial Statements

31 December 2002

22. TRADE RECEIVABLES

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management. The analysis below shows aged trade receivables, net of provisions, based on the invoice date, which is when the goods are delivered and services are rendered.

	Group	
	2002 HK\$'000	2001 HK\$'000
Current to 3 months	8,199	11,687
3 to 6 months	2,463	2,983
Over 6 months	4,419	581
	<u>15,081</u>	<u>15,251</u>

23. SUBSIDIARIES UNDER LIQUIDATION

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	–	71,166
Due from subsidiaries	–	69,624
	<u>–</u>	<u>140,790</u>
Less: Impairment of subsidiaries under liquidation (note 11)	–	(71,166)
Provision against amounts due from subsidiaries under liquidation (note 11)	–	(69,624)
	<u>–</u>	<u>–</u>
Net carrying value at end of the year	<u>–</u>	<u>–</u>

As at 31 December 2002, the share of net assets and amounts due from the subsidiaries under liquidation have been written off against provisions as the directors, based on legal advice, consider that the recoverability of the amount is remote.

Notes to Financial Statements

31 December 2002

23. SUBSIDIARIES UNDER LIQUIDATION (CONTINUED)

Particulars of the subsidiaries under liquidation are as follows:

Name	Nominal value Place of incorporation and operations	of issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kenwell Cape Farm (Proprietary) Ltd.	South Africa	Rand 1 ordinary share	–	100	Ostrich farming
Kenwell Farm (Proprietary) Ltd.	South Africa	Rand 1 ordinary share	–	100	Ostrich farming
Oryx Abattoir Property (Proprietary) Limited	South Africa	Rand 1,000 ordinary shares	–	100	Property holding
Oryx Tanning Company (Proprietary) Limited	South Africa	Rand 200 ordinary shares	–	100	Processing and trading of ostrich leather and meat

As more fully explained in note 2 to the financial statements, liquidators took over the control of the South African Subsidiaries on 21 December 2001. Accordingly, the assets and liabilities of the South African Subsidiaries were reflected on a net basis after approximate impairments and provisions in the 2001 financial statements. The consolidated balance sheet as at 31 December 2001 did not incorporate the individual assets and liabilities of the South African Subsidiaries and disclosed only the net carrying value as a single asset described as "Subsidiaries under liquidation". The turnover and operating results of the South African Subsidiaries were classified as "Discontinued operations", details of which are disclosed in note 11 to the financial statements. In respect of the cash flows for the discontinued operations for the year ended 31 December 2001, information has been disclosed in the consolidated cash flow statement.

Notes to Financial Statements

31 December 2002

23. SUBSIDIARIES UNDER LIQUIDATION (CONTINUED)

The underlying net assets of the subsidiaries under liquidation at 31 December 2001 were summarised as follows:

	2001 HK\$'000
Property, plant and equipment	23,562
Interest in an associate	1,546
Inventories	36,495
Trade receivables	14,243
Prepayments, deposits and other receivables	39,415
Cash and bank balances	60
Attributable goodwill	23,711
Trade payables	(1,070)
Accrued liabilities and other payables	(15,906)
Bank overdrafts	(23,279)
Finance lease payables	(707)
Other loans	(2,190)
Tax payable	(816)
Attributable exchange reserve	45,726
	<u>140,790</u>
Net inflow of cash and cash equivalents in respect of subsidiaries under liquidation	<u>23,219</u>

24. CASH AND CASH EQUIVALENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Cash and bank balances	24,808	16,523
Time deposits, which are not restricted as to use	1,504	–
	<u>26,312</u>	<u>16,523</u>

At the balance sheet date, the cash and bank balance of the Group denominated in Renminbi ("RMB") amounted to HK\$21,865,000 (2001: HK\$14,938,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes to Financial Statements

31 December 2002

25. TRADE PAYABLES

The analysis below shows aged trade payables based on the date of the goods purchased and services rendered:

	Group	
	2002 HK\$'000	2001 HK\$'000
Current to 3 months	16,565	17,191
3 to 6 months	2,059	132
Over 6 months	2,261	1,861
	<u>20,885</u>	<u>19,184</u>

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2002 HK\$'000	2001 HK\$'000
Bank overdrafts, secured	2,440	5,463
Bank loans, secured	143,152	158,530
Trust receipt loans, secured	1,249	4,404
	<u>146,841</u>	<u>168,397</u>

Interest-bearing bank and other loans are repayable as follows:

Within one year or on demand	143,894	168,397
In the second year	974	–
In the third to fifth years, inclusive	1,973	–
	<u>146,841</u>	<u>168,397</u>
Portion classified as current liabilities	(143,894)	(168,397)
Long term portion	<u>2,947</u>	<u>–</u>

Certain of the Group's bank loans and overdrafts are secured by (i) certain land and buildings of a subsidiary with an aggregate carrying value at the balance sheet date of approximately HK\$7,800,000 (2001: HK\$9,000,000), (ii) a guarantee granted by a minority shareholder of a subsidiary; and (iii) corporate guarantee executed by the Company.

Notes to Financial Statements

31 December 2002

27. FINANCE LEASE PAYABLES

The Group leases certain of its property, plant and equipment for its operations. These leases are classified as finance leases and have remaining lease terms ranging from one to two years.

At 31 December 2002, the total future minimum lease payments under finance leases and their present values were as follows:

Group and Company	Minimum lease payments 2002 HK\$'000	Minimum lease payments 2001 HK\$'000	Present value of minimum lease payments 2002 HK\$'000	Present value of minimum lease payments 2001 HK\$'000
Amounts payable:				
Within one year	53	320	53	296
In the second year	–	53	–	53
	<hr/>	<hr/>	<hr/>	<hr/>
Total minimum finance lease payments	53	373	<u>53</u>	<u>349</u>
Future finance charges	–	(24)		
	<hr/>	<hr/>		
Total net finance lease payables	53	349		
Portion classified as current liabilities	(53)	(296)		
	<hr/>	<hr/>		
Long term portion	<u>–</u>	<u>53</u>		

28. DUE TO A MINORITY SHAREHOLDER

The balance with the minority shareholder is unsecured, bears interest at the prevailing market interest rate as quoted by a PRC bank, which approximates to 5.04% per annum (2001: 5.58% per annum) and has no fixed terms of repayment. The total interest expense charged for the year was HK\$1,263,000 (2001: HK\$904,000).

Notes to Financial Statements

31 December 2002

29. SHARE CAPITAL

	Company	
	2002	2001
	HK\$'000	HK\$'000
Authorised:		
25,000,000,000 (2001: 25,000,000,000) ordinary shares of HK\$0.01 each	<u>250,000</u>	<u>250,000</u>
50 (2001: 50) convertible preference shares of HK\$1,000,000 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
3,993,409,113 (2001: 3,993,409,113) ordinary shares of HK\$0.01 each	<u>39,934</u>	<u>39,934</u>

30. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 3 and under the heading "Employee benefits" in note 4 to the financial statements. As a result, these detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operated a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the Scheme included employees of the Group, including executive directors of the Group. The Scheme became effective on 16 September 1992 and, unless otherwise cancelled or amended, remained in force for 10 years from that date. The share option scheme was expired during the year and no new share option scheme has been adopted to replace it.

During the year, no share options were granted and no outstanding share options were in existence at the date of expiry of the Scheme.

In the opinion of the directors, after seeking relevant advices, the existing Scheme does not comply with the new requirements for share option schemes as set out in Chapter 17 of the Listing Rules on 23 August 2001.

Notes to Financial Statements

31 December 2002

31. RESERVES

Group	Share premium account HK\$'000	Translation reserve HK\$'000	PRC statutory reserves* HK\$'000	Goodwill/capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2001	542,584	(15,655)	8,465	(25,289)	191,389	(245,539)	455,955
Exchange difference arising on translation of overseas subsidiaries and associates	-	(27,139)	-	-	-	-	(27,139)
Released upon disposal of substantial assets of a subsidiary	-	1,232	-	1,609	-	-	2,841
Released upon liquidation of a subsidiary	-	45,726	-	23,711	-	-	69,437
Appropriations to reserve funds by PRC subsidiaries	-	-	1,444	-	-	(1,444)	-
Net loss for the year	-	-	-	-	-	(341,359)	(341,359)
At 31 December 2001	<u>542,584</u>	<u>4,164</u>	<u>9,909</u>	<u>31</u>	<u>191,389</u>	<u>(588,342)</u>	<u>159,735</u>
Appropriations to reserve funds by PRC subsidiaries	-	-	1,250	-	-	(1,250)	-
Exchange difference arising on translation of overseas subsidiaries and associates	-	(751)	-	-	-	-	(751)
Net loss for the year	-	-	-	-	-	(27,953)	(27,953)
At 31 December 2002	<u>542,584</u>	<u>3,413</u>	<u>11,159</u>	<u>31</u>	<u>191,389</u>	<u>(617,545)</u>	<u>131,031</u>
Attributable to:							
The Company and subsidiaries	542,584	6,824	11,159	31	191,389	(604,343)	147,644
Associates	-	(3,411)	-	-	-	(13,202)	(16,613)
At 31 December 2002	<u>542,584</u>	<u>3,413</u>	<u>11,159</u>	<u>31</u>	<u>191,389</u>	<u>(617,545)</u>	<u>131,031</u>
The Company and subsidiaries	542,584	7,575	9,909	31	191,389	(576,324)	175,164
Associates	-	(3,411)	-	-	-	(12,018)	(15,429)
At 31 December 2001	<u>542,584</u>	<u>4,164</u>	<u>9,909</u>	<u>31</u>	<u>191,389</u>	<u>(588,342)</u>	<u>159,735</u>
Company							
At 1 January 2001	542,584	-	-	-	192,083	(232,656)	502,011
Net loss for the year	-	-	-	-	-	(321,909)	(321,909)
At 31 December 2001	<u>542,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,083</u>	<u>(554,565)</u>	<u>180,102</u>
Net loss for the year	-	-	-	-	-	(92,681)	(92,681)
At 31 December 2002	<u>542,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,083</u>	<u>(647,246)</u>	<u>87,421</u>

Notes to Financial Statements

31 December 2002

31. RESERVES (CONTINUED)

- * Pursuant to the relevant laws and regulations for Sino-Foreign joint venture enterprises, a portion of the profits of the Company's subsidiaries in the PRC has been appropriated to PRC statutory reserves which are restricted as to use. The amount of the appropriation is at the discretion of the respective boards of directors.

The contributed surplus of the Group represents:

- (a) the excess of the nominal value of the subsidiary's shares acquired over the nominal value of the Company's shares issued in exchange; and
- (b) the credit arising from the reduction of the nominal value of the shares of the Company from HK\$0.10 each to HK\$0.01 each in a prior year.

The contributed surplus of the Company represents the excess of the nominal value of the share capital of the subsidiaries at the date on which they were acquired by the Company over the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1992, less dividends paid out and amount utilised on a redemption of share in a prior year; and the credit arising from the reduction in nominal value of HK\$0.09 of the Company's shares detailed above.

As detailed in note 4 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits negative goodwill in respect of acquisitions which occurred prior to 1 January 2001 to remain credited to the capital reserve. Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against reserves for any impairment. The amount of negative goodwill remaining in reserves, arising from the acquisition of a subsidiary prior to 1 January 2001 was HK\$31,000 representing its costs. The amount of goodwill remaining eliminated against consolidated reserves in the prior year was taken to the consolidated profit and loss account for the prior year as part of the loss on liquidation and disposal of the discontinued operations (note 11).

The revised SSAP 11 was adopted during the year, as explained in note 3 to the financial statements and under the heading "Foreign currencies" in note 4 to the financial statements. As a result, the profit and loss accounts of overseas subsidiaries and associates are now translated into Hong Kong dollars at the weighted exchange rates for the year, rather than at the exchange rates ruling at the balance sheet date, as was previously the case. This SSAP is required to be applied retrospectively. However, as the impact on the comparative information is not significant, the prior year figures have not been restated accordingly.

Notes to Financial Statements

31 December 2002

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Changes to the layout of the consolidated cash flow statement

SSAP 15 (Revised) was adopted during the current year, as detailed in note 3 to the financial statements, which has resulted in a change to the layout of the cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities, and interest received is now included in cash flows from investing activities. The presentation of the 2001 comparative consolidated cash flow statement has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 4 to the financial statements. Cash flows of overseas subsidiaries and associates are now translated to Hong Kong dollars at the exchanges rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates ruling for the year. Previously, the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchanges rates at the balance sheet date.

Also, the definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash and cash equivalents" in note 4 to the financial statements. This has resulted in trust receipt loans no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31 December 2001 has been adjusted to remove trust receipt loans amounting to HK\$4,404,000, previously included at that date. The year's movement in trust receipt loans is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

Notes to Financial Statements

31 December 2002

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Disposal of subsidiaries

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net assets disposed of:		
Subsidiaries held for disposal	—	35,000
Satisfied by:		
Cash	—	22,000
Long term receivables	—	13,000
	—	35,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash consideration in respect of the disposal of subsidiaries	—	22,000

The results of the subsidiaries disposed in the prior year had no significant impact on the turnover or the consolidated loss after tax for that year.

(c) Subsidiaries under liquidation in the prior year

Further details of the subsidiaries under liquidation in the prior year are set out in note 23 to the financial statements.

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, no significant related party transactions were noted during the year.

In the prior year, the Group entered into a sale and purchase agreement with Veloso, a former 44% owned associate of the Company, to dispose of certain property, plant and equipment of the Group to Veloso for a cash consideration of Rand24,000,000 (approximately HK\$15,600,000).