

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### (b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2000. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition or to the effective dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.

### (c) Goodwill arising on consolidation

Goodwill arising on consolidation represents the excess of the cost of investment in subsidiaries and associates over the attributable share of the fair value of the net assets at the respective effective dates of acquisition and is written off against available reserves in the year of acquisition.

### (d) Revenue recognition

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Rental income from operating leases is recognised on a straight line basis over the terms of the respective leases.

Interest income is accrued on a time proportion basis.

Income from management services is recognised at the time when the services are rendered.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (e) 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 market exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the income statement.

The financial statements of subsidiaries and associates denominated in foreign currencies are translated at the market exchange rates ruling at the balance sheet date. Exchange differences arising on such translation are dealt with in the exchange reserve.

### (f) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less aggregate depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to the income statement in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

No depreciation is provided in respect of land held on freehold. Depreciation on other fixed assets is calculated to write down their costs to their estimated residual values on a straight line basis over their estimated useful lives at the following annual rates:

Leasehold land	5% or over the lease period
Buildings and leasehold improvements	$1\frac{2}{3}\% - 33\frac{1}{3}\%$
Other fixed assets	$5\% - 33\frac{1}{3}\%$

### (g) Capitalisation of borrowing costs

Borrowing costs incurred in financing the purchase of leasehold land and construction of manufacturing plant including the purchase of related fixed assets prior to commercial operations are capitalised and included in the balance sheet as part of the cost of the fixed assets concerned.

All other borrowing costs are charged to income statement in the year in which they are incurred.

**1. PRINCIPAL ACCOUNTING POLICIES** (continued)

**(h) Operating leases**

Assets held for operating leases are included in fixed assets and depreciated over their estimated useful lives as set out in Note 1(f) above. Rentals receivable or payable under operating leases are accounted for on a straight line basis over the periods of the respective leases.

**(i) Trademarks**

Trademarks are stated at cost and are not amortised. Provision is made for any diminution in value which is other than temporary in the opinion of the directors.

**(j) Subsidiaries**

A company is a subsidiary company if more than 50% of the equity shareholding is held by the Company for long term investment purposes.

Investments in subsidiaries are stated in the Company's balance sheet at cost less provision for diminution in value which is other than temporary in the opinion of the directors. Income from subsidiaries is recognised in the Company's financial statements on the basis of dividend declared by the subsidiaries.

**(k) Associates**

An associate is one, not being a subsidiary nor a joint venture, in which the Company holds for long term investment purposes between 20% and 50% of the equity shareholding and is able to exercise significant influence over its management.

Interest in associates is stated in the consolidated balance sheet at the Group's share of the net assets other than goodwill as recorded in the financial statements of the associates under the equity method of accounting. The results of associates are included in the consolidated income statement to the extent of post-acquisition results attributable to the Group.

**(l) Jointly controlled entity**

A jointly venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control. Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entity.

**1. PRINCIPAL ACCOUNTING POLICIES** (continued)

**(l) Jointly controlled entity** (continued)

The consolidated income statement includes the Group's share of the results of its jointly controlled entity for the year. The consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

**(m) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and, in the case of work in progress and finished goods, cost comprises direct materials, direct labour and an attributable proportion of production overheads. Net realisable value represents the estimated selling price less all further costs to completion and direct selling costs.

**(n) Deferred taxation**

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences which are expected with reasonable probability to crystallise in the foreseeable future.

**(o) Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

**(p) 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; less advances from banks repayable within three months from the date of the advance. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

Notes to the Financial Statements (continued)  
for the year ended 31st December, 2000

## 2. TURNOVER

- (a) Turnover represents the net invoiced value of goods supplied to external customers. An analysis of the Group's turnover is set out below:

	<u>2000</u>	<u>1999</u>
	<b>HK\$'000</b>	HK\$'000
Invoiced value of goods sold	<b>1,607,199</b>	1,654,940
Discounts and returns	<b>(41,444)</b>	(14,123)
	<b><u>1,565,755</u></b>	<u>1,640,817</u>

- (b) The analysis of the Group's turnover and contribution to profit from operations by principal activities and geographical areas of operation are as follows:

	<b>Group turnover</b>		<b>Profit/(loss) from operations</b>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>By principal activities:</b>				
Processing and marketing of flour products	<b>556,437</b>	531,797	<b>51,184</b>	18,411
Processing and marketing of edible oils and vegetable fats	<b>402,597</b>	393,071	<b>17,595</b>	28,237
Manufacturing and trading of detergent products	<b>88,213</b>	86,652	<b>3,408</b>	(1,909)
Manufacturing and trading of packaging products	<b>482,648</b>	518,444	<b>(29,065)</b>	19,252
Bulk trading of edible oils and grains	<b>35,860</b>	110,853	<b>(6,349)</b>	(22,031)
Investment holdings	<b>—</b>	—	<b>(31,756)</b>	(18,733)
<b>Total</b>	<b><u>1,565,755</u></b>	<u>1,640,817</u>	<b><u>5,017</u></b>	<u>23,227</u>
<b>By geographical areas of operation:</b>				
Hong Kong	<b>324,448</b>	348,474	<b>14,625</b>	14,788
People's Republic of China	<b>972,643</b>	986,893	<b>(12,193)</b>	(14,841)
Taiwan	<b>268,664</b>	305,450	<b>2,585</b>	23,280
<b>Total</b>	<b><u>1,565,755</u></b>	<u>1,640,817</u>	<b><u>5,017</u></b>	<u>23,227</u>

**Notes to the Financial Statements** (continued)  
for the year ended 31st December, 2000

**3. OTHER INCOME**

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Rental income	<b>6,814</b>	6,908
Management fee income	<b>3,000</b>	3,000
Barge operation income	<b>2,319</b>	1,080
Advertising and promotion income	<b>1,500</b>	3,000
Sales of scrap	<b>1,626</b>	1,945
Recovery of loss from supplier	<b>884</b>	—
Others	<b>6,294</b>	6,235
	<b><u>22,437</u></b>	<u>22,168</u>

**4. NET INTEREST EXPENSES**

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<b>61,728</b>	57,300
Less: interest income	<b><u>(13,178)</u></b>	<u>(8,912)</u>
	<b><u>48,550</u></b>	<u>48,388</u>

Notes to the Financial Statements (continued)  
for the year ended 31st December, 2000

**5. OPERATING LOSS**

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Operating loss is stated after charging/(crediting):		
Staff costs	<b>100,955</b>	95,998
Auditors' remuneration	<b>1,510</b>	2,054
Depreciation	<b>93,640</b>	97,487
Management fee	<b>9,758</b>	9,758
Operating lease rental of properties	<b>5,461</b>	7,160
Proceeds from disposal of fixed assets	<b>214</b>	399
Less: carrying value of fixed assets	<b>(516)</b>	(820)
Loss on disposal of fixed assets	<b>302</b>	421
Retirement benefit costs — Note 6		
— contributions	<b>4,449</b>	4,579
— forfeited contributions	<b>(3,655)</b>	—
	<b>794</b>	4,579
Provision for spare parts	<b>—</b>	8,918
Provision for doubtful debts	<b>15,195</b>	6,492
Loss sustained from bulk edible oils trading activities*	<b>—</b>	28,277
Rental income less outgoings	<b>(6,706)</b>	(6,632)

\* Loss sustained from bulk edible oils trading activities was caused by adverse trading conditions following a substantial change in government regulations concerning the import of edible oils into the People's Republic of China. Details are set out below:

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Sales	<b>—</b>	55,433
Cost of sales	<b>—</b>	(70,663)
Gross loss	<b>—</b>	15,230
Selling and distribution expenses	<b>—</b>	6,560
Administrative expenses	<b>—</b>	1,792
Interest expenses	<b>—</b>	4,695
Loss sustained from bulk edible oils trading activities	<b>—</b>	28,277

## 6. RETIREMENT BENEFIT COSTS

The Group operates a number of staff retirement benefit schemes comprising defined contribution schemes covering its employees in Hong Kong and two defined benefit schemes covering its employees in Taiwan.

The Group's contributions to the defined contribution scheme is based on a specified percentage on the basic salary and completed years of service of employees. The Group's contributions under the principal scheme are charged to the income statement and are reduced by the amount of forfeited contributions. Any unutilised forfeited balances are set aside as a reserve held in independently administered funds for any future potential long service payments payable by the Group. The total amount of these reserves available for use at the year end date was approximately HK\$31,000 (1999: HK\$3,110,000).

Under the defined benefit schemes, the calculation of the retirement benefits to the employees is based on years of service and average monthly salary at the time of retirement. The Group's contributions to the defined benefit schemes are calculated as certain percentages of salaries paid to employees and charged to the income statement as incurred. The assets of the schemes are held separately from those of the Group in a central fund administered by the relevant government body in Taiwan. No formal actuarial valuation has been performed by qualified actuary during the year as it is not required in Taiwan. However, the Group has an obligation to ensure that there are sufficient funds in these schemes to pay the benefits earned. The Group performs regular internal evaluation of the adequacy of the funds. Any shortfall in the funds shall be paid by the Group and charged to the income statement.

In addition to the retirement benefit schemes operated by the Group, the Group is required to contribute respectively to Mandatory Provident Fund and central pension schemes for certain Group's employees in Hong Kong and the People's Republic of China based on applicable rates of monthly salary in accordance with government regulations.

## 7. DIRECTORS' REMUNERATION

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

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Fees	<b>580</b>	580
Other emoluments	<b>2,339</b>	2,162
	<b><u>2,919</u></b>	<u>2,742</u>



## 8. TAXATION

- (a) The provision for Hong Kong profits tax is calculated at 16% (1999: 16%) of the estimated assessable profits for the year. Overseas taxation is provided for at the relevant tax rates.
- (b) The taxation charge is made up as follows:

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
The Company and subsidiaries		
Hong Kong taxation		
Provision for the year	<b>3,729</b>	2,728
Over provision in respect of previous years	<b>—</b>	(430)
	<b>3,729</b>	2,298
Overseas taxation	<b>3,249</b>	1,109
Deferred taxation — Note 9(a)	<b>(226)</b>	(304)
	<b>6,752</b>	3,103
Jointly controlled entity		
Hong Kong taxation	<b>534</b>	632
	<b>7,286</b>	3,735

## 9. DEFERRED TAXATION

- (a) Movements of deferred taxation comprise:

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Balance at 1st January	<b>2,569</b>	2,893
Transfer to income statement — Note 8(b)	<b>(226)</b>	(304)
Exchange adjustments	<b>(42)</b>	(20)
<b>Balance at 31st December</b>	<b>2,301</b>	2,569

**Notes to the Financial Statements** (continued)  
for the year ended 31st December, 2000

**9. DEFERRED TAXATION** (continued)

(b) The components of deferred taxation are as follows:

	<b>Group</b>			
	<b>2000</b>		1999	
	<b>Provided</b>	<b>Unprovided</b>	Provided	Unprovided
	<b>HK\$'000</b>	<b>HK\$'000</b>	HK\$'000	HK\$'000
Accelerated depreciation allowances	<b>5,339</b>	<b>8,812</b>	5,392	9,134
Future benefit of expenses carried forward for tax purposes	<b>(3,038)</b>	<b>—</b>	(2,823)	—
Unutilised tax losses	<b>—</b>	<b>(33,957)</b>	—	(29,964)
	<b><u>2,301</u></b>	<b><u>(25,145)</u></b>	<u>2,569</u>	<u>(20,830)</u>

**10. LOSS ATTRIBUTABLE TO SHAREHOLDERS**

Loss attributable to shareholders includes a loss of HK\$26,484,000 (1999: HK\$17,891,000) which has been dealt with in the financial statements of the Company.

**11. LOSS PER SHARE**

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$69,737,000 (1999: HK\$26,834,000) and the weighted average number of 127,904,201 (1999: 127,904,201) ordinary shares in issue during the years.

The diluted loss per share for the years are not presented as the potential ordinary shares in respect of outstanding share options and convertible 5% non-cumulative preference shares are anti-dilutive.

## 12. FIXED ASSETS

### (a) The Group

	<b>Freehold properties outside Hong Kong</b>	<b>Medium term leases properties outside Hong Kong</b>	<b>Plant, equipment, furniture, motor vehicles and barges</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation:</b>				
At 1st January, 2000	279,957	786,371	932,125	1,998,453
Exchange adjustments	(2,537)	1,785	(4,223)	(4,975)
Additions	7,563	370	22,687	30,620
Disposals	—	—	(2,134)	(2,134)
Write down to recoverable amount	—	—	(15,484)	(15,484)
<b>At 31st December, 2000</b>	<b>284,983</b>	<b>788,526</b>	<b>932,971</b>	<b>2,006,480</b>
<b>Representing:</b>				
Cost	50,061	788,526	932,971	1,771,558
Professional valuation — 1994	234,922	—	—	234,922
<b>At 31st December, 2000</b>	<b>284,983</b>	<b>788,526</b>	<b>932,971</b>	<b>2,006,480</b>
<b>Aggregate depreciation:</b>				
At 1st January, 2000	61,416	119,388	407,050	587,854
Exchange adjustments	(1,015)	396	(3,029)	(3,648)
Charge for the year	6,159	29,406	58,075	93,640
Written back on disposals	—	—	(1,618)	(1,618)
Written back on write down	—	—	(8,485)	(8,485)
<b>At 31st December, 2000</b>	<b>66,560</b>	<b>149,190</b>	<b>451,993</b>	<b>667,743</b>
<b>Net book value:</b>				
<b>At 31st December, 2000</b>	<b>218,423</b>	<b>639,336</b>	<b>480,978</b>	<b>1,338,737</b>
At 31st December, 1999	218,541	666,983	525,075	1,410,599

- (i) On 7th June, 1994, a valuation was carried out by an independent professional valuer, C. Y. Leung & Company Limited, which placed a value of NT\$985,000,000 (1999: NT\$985,000,000) (equivalent to approximately HK\$234,922,000 (1999: HK\$238,862,000)) on certain freehold properties held outside Hong Kong at their respective open market values.

## 12. FIXED ASSETS (continued)

### (a) The Group (continued)

- (ii) The net book value of all properties would have been HK\$96,343,000 (1999: HK\$103,820,000) had they been stated at cost less aggregate depreciation.
- (iii) The gross amount of fixed assets held for use under operating leases amounted to HK\$35,379,000 (1999: HK\$25,477,000) and the related aggregate depreciation amounted to HK\$31,712,000 (1999: HK\$20,753,000).
- (iv) The properties and plant and machinery held by the Group with a net book value of HK\$585,939,000 (1999: HK\$727,527,000) were pledged to secure banking facilities granted to the Group which had been utilised to the extent of HK\$354,603,000 (1999: HK\$348,855,000).

### (b) The Company

	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>Cost:</b>			
At 1st January, 2000	15,659	614	16,273
Additions	53	—	53
Disposals	(115)	—	(115)
Write down to recoverable amount	(15,484)	—	(15,484)
<b>At 31st December, 2000</b>	<b>113</b>	<b>614</b>	<b>727</b>
<b>Aggregate depreciation:</b>			
At 1st January, 2000	7,000	138	7,138
Charge for the year	1,573	123	1,696
Written back on disposals	(56)	—	(56)
Written back on write down	(8,485)	—	(8,485)
<b>At 31st December, 2000</b>	<b>32</b>	<b>261</b>	<b>293</b>
<b>Net book value:</b>			
<b>At 31st December, 2000</b>	<b>81</b>	<b>353</b>	<b>434</b>
At 31st December, 1999	8,659	476	9,135

### 13. INTANGIBLE ASSETS

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Trademarks, at cost	<b>36,830</b>	36,830

### 14. INTEREST IN SUBSIDIARIES

	<b>Company</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Unlisted equity, at cost	<b>239,409</b>	239,409
Amounts due from subsidiaries	<b>1,524,660</b>	1,762,017
	<b>1,764,069</b>	2,001,426
Amounts due to subsidiaries	<b>(341,593)</b>	(486,555)
	<b>1,422,476</b>	1,514,871

Details of the subsidiaries are listed on pages 59 to 62.

### 15. INTEREST IN ASSOCIATES

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>24,643</b>	24,644

Details of the associates are as follows:

<b>Name of company</b>	<b>Place of incorporation and operation</b>	<b>Percentage of equity holding indirectly</b>	<b>Principal activities</b>
Omeron Profits Limited*	British Virgin Islands	50	Dormant
Tepac Profits Limited*	British Virgin Islands	50	Dormant

\* Companies not audited by PKF

## 16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>53,910</b>	56,597

Details of the jointly controlled entity are as follows:

<b>Name of company</b>	<b>Place of incorporation/ operation</b>	<b>Percentage of equity holding indirectly</b>	<b>Principal activities</b>
Evergreen Oils & Fats Limited*	Cayman Islands/ Hong Kong	50	Blending and distribution of edible oils, fats and shortenings

\* Company not audited by PKF

## 17. OTHER ASSETS

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Club debenture, at cost	<b>1,129</b>	1,129	<b>684</b>	684
Deposits for acquisition of fixed assets	<b>—</b>	1,168	<b>—</b>	—
	<b>1,129</b>	2,297	<b>684</b>	684

## 18. CURRENT ASSETS

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Inventories — Note 18(a)				
Raw materials	<b>92,568</b>	114,995	—	—
Work in progress	<b>7,865</b>	14,514	—	—
Finished goods	<b>72,586</b>	95,149	—	—
Inventories in transit	<b>6,831</b>	6,910	—	—
Packing materials	<b>6,822</b>	8,044	—	—
Spare parts	<b>30,713</b>	33,459	—	—
	<b>217,385</b>	273,071	—	—
Amounts due from fellow subsidiaries — Note 18 (b)	<b>495</b>	462	—	—
Amount due from a jointly controlled entity — Note 18(b)	<b>18,199</b>	12,130	<b>1,501</b>	21
Debtors, deposits and prepayments — Note 18 (d)	<b>271,810</b>	283,227	<b>3,350</b>	5,094
Bills receivable	<b>38,163</b>	26,048	—	—
Tax recoverable	—	491	—	—
Short term investment	<b>8,396</b>	8,798	—	—
Deposits with financial institutions — Note 18(c)	<b>295,119</b>	225,093	<b>84,301</b>	56,959
Cash and bank balances	<b>95,850</b>	50,900	<b>9,684</b>	41
	<b>945,417</b>	880,220	<b>98,836</b>	62,115

(a) As at 31st December, 2000, the carrying amount of inventories pledged as security for liabilities was HK\$6,767,000 (1999: HK\$10,431,000).

(b) The balances with the Group are trading in nature, interest-free, unsecured and repayable on demand.

(c) As at 31st December, 2000, time deposit of HK\$195,492,000 (1999: HK\$165,150,000) was pledged to a bank to secure banking facilities granted to the Group of which amounts totalling HK\$190,957,000 (1999: HK\$159,613,000) were utilised.