

# Notes To Financial Statements

31 March 2001

## 1. CORPORATE INFORMATION

The registered office of the Company is the office of Caledonian Bank & Trust Limited, Ground Floor, Caledonian House, Mary Street, P.O. Box 1043, George Town, Grand Cayman, Cayman Islands, British West Indies.

During the year, the Group's principal activities were the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, ham and ham related products.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain leasehold land and buildings and long term investments, as further explained below, which are stated at valuation and fair value, respectively.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### **Subsidiaries**

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Associates**

An associate is a company, not being a subsidiary, in which the Group has a long term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investments in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors. Where associates' financial statements are not coterminous with those of the Group, the Group's share of the associates' results is determined from the latest financial statements available.

### **Goodwill/negative goodwill**

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates or businesses represents the excess of the purchase consideration paid for subsidiaries/associates/businesses over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. Negative goodwill which represents the excess of the fair values ascribed to the net underlying assets acquired over the purchase consideration is credited to reserves.

Upon disposal of a subsidiary or associate, the attributable amount of purchased goodwill/negative goodwill which has previously been eliminated against/credited to reserves is charged/credited to the profit and loss account in determining the gain or loss on the sale of the interest.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable cost 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, is normally charged to the profit and loss account in the period in which it is 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 an asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term leasehold land	2%
Buildings	2% – 10%
Leasehold improvements	20%
Furniture, fixtures and equipment	10% – 25%
Plant and machinery	10% – 20%
Motor vehicles and vessel	15% – 30%

Land use rights granted in the People's Republic of China are amortised on the straight-line basis over the lease terms.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis as determined by the directors.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis or first-in, first-out basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress and self-produced finished goods, cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

# Notes To Financial Statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

### 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. Related parties may be individuals or corporate entities.

### Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Retirement benefits scheme

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect to the Mandatory Provident Fund retirement benefits scheme the Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the scheme.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) dividends, when the shareholders' right to receive payment is established;
- (d) rental income, on the straight-line basis over the lease terms; and
- (e) commission income, in the period in which services are rendered.

# Notes To Financial Statements

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## 3. TURNOVER AND REVENUE

Turnover represents the invoiced value of goods sold, net of discounts and returns. An analysis of revenue is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Turnover	1,124,833	923,863
Other revenue:		
Interest income	3,716	1,694
Dividend income from listed investments	1,623	1,548
Rental income	496	671
Commission income	448	239
Gain on disposal of long term investment	–	11
Others	1,360	766
	<u>7,643</u>	<u>4,929</u>
Revenue	<u><u>1,132,476</u></u>	<u><u>928,792</u></u>

# Notes To Financial Statements

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## 4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	17,504	10,004
Operating lease rentals in respect of land and buildings	46,072	5,438
Auditors' remuneration	1,009	773
Staff costs (excluding directors' remuneration – note 6)		
Wages and salaries	113,709	66,947
Pension contribution	2,632	–
Less: Forfeited contributions	(37)	–
	<u>2,595</u>	<u>–</u>
Net pension contributions		
	<u>2,595</u>	<u>–</u>
Total staff costs	<u>116,304</u>	<u>66,947</u>
Provision for permanent impairment in value of long term investments	–	2,146
Loss/(gain) on disposal of fixed assets	1,104	(4)
Exchange losses/(gains), net	(18,126)	8,806
Gain on disposal of a long term investment	–	(11)
Interest income	(3,716)	(1,694)
Dividend income from listed investments	(1,623)	(1,548)
Rental income	<u>(496)</u>	<u>(671)</u>

At 31 March 2001, the Group had forfeited contributions amounting to HK\$3,000 (2000: Nil) available to reduce its contributions to the pension scheme in future years.

# Notes To Financial Statements

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## 5. FINANCE COSTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<u>12,868</u>	<u>7,953</u>

## 6. DIRECTORS' REMUNERATION

Directors' remuneration was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Fees:		
Executive directors	5,914	1,826
Non-executive director	—	—
Independent non-executive directors	—	—
	<u>5,914</u>	<u>1,826</u>
Other emoluments:		
Salaries, allowances and benefits in kind	—	—
Pension contributions	55	—
	<u>55</u>	<u>—</u>
	<u>5,969</u>	<u>1,826</u>

# Notes To Financial Statements

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## 6. DIRECTORS' REMUNERATION (*continued*)

The remuneration of the above directors fell within the following bands:

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
Nil – HK\$1,000,000	7	7
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$3,000,001 – HK\$3,500,000	1	–
	<u>          </u>	<u>          </u>
	<b>9</b>	<b>8</b>
	<u>          </u>	<u>          </u>

During the year, there was no arrangement under which a director waived or agreed to waive any remuneration.

## 7. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two directors (2000: two), details of whose remuneration are set out above. The remuneration of each of the remaining three (2000: three) non-director, highest paid individuals fell within the band of Nil – HK\$1,000,000 and is set out below:

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Salaries, allowances and benefits in kind	2,079	1,941
Pension contributions	47	–
	<u>          </u>	<u>          </u>
	<b>2,126</b>	<b>1,941</b>
	<u>          </u>	<u>          </u>

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## 8. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group or its associates operate, based on existing legislation, interpretations and practices in respect thereof.

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Group:		
Hong Kong		
Provision for the year	<b>11,225</b>	8,289
Overprovision in prior years	<b>(61)</b>	–
Deferred tax credit – note 22	<b>(247)</b>	(25)
	<b>10,917</b>	8,264
Overseas	<b>986</b>	320
	<b>11,903</b>	8,584
Associates:		
Hong Kong	<b>1,728</b>	2,903
Overseas	<b>–</b>	38
	<b>1,728</b>	2,941
Tax charge for the year	<b>13,631</b>	11,525

## 9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$18,722,000 (2000: HK\$18,951,000) and the Group's share of aggregate profits less losses retained by the associates for the year amounted to HK\$2,768,000 (2000: HK\$14,441,000).

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## 10. DIVIDENDS

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interim dividend of HK1.6 cents				
(2000: HK2.3 cents) per ordinary share	<b>6,393</b>	7,196	<b>6,393</b>	7,196
Proposed final dividend of HK3.0 cents				
(2000: HK3.0 cents) per ordinary share	<b>11,987</b>	11,987	<b>11,987</b>	11,987
Dividend in specie of shares of interest in				
Four Seas eFood Holdings				
Limited ("FSFH")	<b>112,280</b>	–	<b>84,445</b>	–
	<b>130,660</b>	19,183	<b>102,825</b>	19,183

During the year, the Company distributed its interest in FSFH, a former associate of the Group, by way of a dividend in specie to the shareholders of the Company on the basis of 377 ordinary shares of FSFH for every 1,000 ordinary shares of the Company held ("Dividend in Specie"). The Dividend in Specie was paid out of the Company's share premium account and the excess of the amount of Dividend in Specie at the Group level over that at the Company level, representing the Group's share of post-acquisition reserves of FSFH retained by FSFH, was debited to the Group's retained earnings.

The proposed final dividend for the year is calculated by reference to the number of shares in issue at the date of this report.

## 11. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit attributable to shareholders for the year of HK\$67,490,000 (2000: HK\$56,041,000) and on the weighted average number of 385,548,856 shares (2000: 312,851,640 shares) in issue during the year.

Diluted earnings per share amounts have not been calculated because no diluting events existed during the years ended 31 March 2000 and 2001.

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## 12. FIXED ASSETS

### Group

	Land use rights HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles and vessel HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	11,863	94,000	8,997	27,896	30,229	18,481	191,466
Additions	–	–	764	2,839	1,276	1,409	6,288
Acquisition of subsidiaries	1,739	18,936	10,699	2,421	18,842	818	53,455
Disposals	–	–	(3,285)	(402)	(48)	(100)	(3,835)
Exchange realignments	131	100	32	20	369	35	687
At 31 March 2001	13,733	113,036	17,207	32,774	50,668	20,643	248,061
At cost	13,733	28,036	17,207	32,774	50,668	20,643	163,061
At 1994 valuation	–	85,000	–	–	–	–	85,000
	<u>13,733</u>	<u>113,036</u>	<u>17,207</u>	<u>32,774</u>	<u>50,668</u>	<u>20,643</u>	<u>248,061</u>
Accumulated depreciation:							
At beginning of year	494	12,073	4,788	23,650	17,358	15,884	74,247
Provided during the year	281	2,770	5,305	2,949	4,531	1,668	17,504
Disposals	–	–	(2,303)	(281)	(35)	(100)	(2,719)
Exchange realignments	2	21	–	11	155	21	210
At 31 March 2001	777	14,864	7,790	26,329	22,009	17,473	89,242
Net book value:							
At 31 March 2001	<u>12,956</u>	<u>98,172</u>	<u>9,417</u>	<u>6,445</u>	<u>28,659</u>	<u>3,170</u>	<u>158,819</u>
At 31 March 2000	<u>11,369</u>	<u>81,927</u>	<u>4,209</u>	<u>4,246</u>	<u>12,871</u>	<u>2,597</u>	<u>117,219</u>

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## 12. FIXED ASSETS *(continued)*

The land and buildings included above are held under medium term leases and are situated in :

	At cost	At valuation	Total
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	17,900	85,000	102,900
People's Republic of China	10,136	–	10,136
	<u>28,036</u>	<u>85,000</u>	<u>113,036</u>

The land use rights relate to two pieces of land situated in the People's Republic of China and are held under medium term leases.

Certain land and buildings, which are situated in Hong Kong, were revalued on 15 July 1993 by C.Y. Leung & Company Limited, independent professional valuers, on an open market and existing use basis.

Had the Group's total land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$69,521,000 (2000: HK\$52,650,000).

The Group has adopted the transitional provisions of Statement of Standard Accounting Practice No. 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants in 1995, of not making further regular revaluations by class of those assets stated at revalued amounts based on revaluations which were reflected in the prior year's financial statements.

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## 13. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	53,819	53,819
Due from subsidiaries	267,315	227,554
	<u>321,134</u>	<u>281,373</u>

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Issued/ registered and fully paid- up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Cowboy Food Company Limited*	Hong Kong	HK\$6,000,000	–	85.0	Manufacturing of peanut products
Crowne Profits Limited	British Virgin Islands	US\$1	–	100.0	Investment holding
Fancy Talent Limited	Hong Kong	HK\$100,000,000	–	100.0	Marketing of snack food

# Notes To Financial Statements

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## 13. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Issued/ registered and fully paid- up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Four Seas Enterprises (BVI) Limited	British Virgin Islands	US\$20,000	100.0	–	Investment holding
Four Seas China Holdings Limited	British Virgin Islands	US\$1	–	100.0	Investment holding
Four Seas Mercantile Limited	Hong Kong	(i) Ordinary HK\$200 (ii) Non-voting deferred HK\$20,000,000	–	100.0	Trading in snack foods, confectionery and beverages
Four Seas Property Holdings Limited	Hong Kong	HK\$20	–	100.0	Investment holding
Four Seas Yamauchi Company Limited	Hong Kong	HK\$7,000,000	–	78.1	Investment holding
Four Seas Yamauchi Confectionery (Shantou) Company Limited*	People's Republic of China	HK\$10,000,000	–	78.1	Manufacturing of cakes
Four Seas CB Company Limited	Hong Kong	HK\$2,500,000	–	60.0	Investment holding
Four Seas Central Bussan Foods (Shenzhen) Company Limited*	People's Republic of China	HK\$1,000,000	–	60.0	Manufacturing of jelly drink
Four Seas (Shantou) Foods Industrial Park Management Company Limited*	People's Republic of China	HK\$23,000,000	–	100.0	Property holding
Four Seas Foods (Shantou) Company Limited*	People's Republic of China	HK\$1,800,000	–	100.0	Trading of confectionery and food products

# Notes To Financial Statements

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## 13. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Issued/ registered and fully paid- up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Four Seas Trading (Shanghai) Company Limited*	People's Republic of China	US\$200,000	–	100.0	Trading of confectionery and food products
Guangdong Four Seas – Yantang Frozen Food Products Company Limited*	People's Republic of China	RMB6,300,000	–	51.0	Operator of ice-cream and frozen food products
Hakadate Investments Limited	British Virgin Islands	US\$1	–	100.0	Investment holding
Hong Kong Ham Holdings Limited	Hong Kong	HK\$20	–	100.0	Manufacturing and packaging of ham and ham related products
Hong Kong Biscuit (International) Limited*	Hong Kong	HK\$25,000,000	–	88.0	Investment holding
Homeright Properties Limited	British Virgin Islands	US\$1	–	100.0	Holding of trademarks
J.P. Inglis Company Limited	Hong Kong	HK\$1,000,000	–	100.0	Trading in food materials
Shenzhen Yaohan Zhonghao Food Co., Limited*	People's Republic of China	RMB32,100,000	–	60.0	Manufacturing and packaging of ham and ham related products
Tohato Four Seas Company Limited	Hong Kong	HK\$7,000,000	–	**43.1	Investment holding
Tohato Four Seas Confectionery (Shenzhen) Company Limited*	People's Republic of China	HK\$7,000,000	–	**43.1	Manufacturing of snack foods

# Notes To Financial Statements

31 March 2001

## 13. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Issued/ registered and fully paid- up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tsun Fat (Huizhou) Biscuit Factory Limited*	People's Republic of China	HK\$13,000,000	–	88.0	Manufacturing of biscuits
T & M Advertising Company Limited	Hong Kong	HK\$20	–	100.0	Advertising agent
Yaohan (Yanwin) Food Co., Limited	Hong Kong	HK\$10,000	–	100.0	Investment holding

\* Audited by public accountants other than Ernst & Young.

\*\* These subsidiaries are indirectly held by the Group and the Group has control over them.

The above table lists the subsidiaries of the Company as at 31 March 2001 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 14. INTERESTS IN ASSOCIATES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	121,318	203,677
Due from associates	–	9,332
	<u>121,318</u>	<u>213,009</u>

The amounts due from the associates are unsecured, interest-free and have no fixed terms of repayment.

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## 14. INTERESTS IN ASSOCIATES (*continued*)

Particulars of the associates at the balance sheet date are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Calbee Four Seas Company Limited	Corporate	Hong Kong	50.0	Manufacturing of snack foods
Cadbury Four Seas Company Limited (i)(iii)	Corporate	Hong Kong	30.0	Trading in confectionery
Four Seas & Jintan Co., Limited	Corporate	Hong Kong	50.0	Marketing of health food
Guangzhou Meiji Confectionery Company Limited (i)(iii)	Corporate	People's Republic of China	(ii)17.5	Manufacturing of snack foods and confectionery
Guangdong M&F-Yantang Dairy Products Company Limited (i)(iii)	Corporate	People's Republic of China	21.0	Manufacturing of ice-cream and dairy products
Kanro Four Seas Company Limited (iii)	Corporate	Hong Kong	30.0	Investment holding
Kanro Four Seas Foods (Shantou) Company Limited (i)(iii)	Corporate	People's Republic of China	30.0	Manufacturing of candies
Meiji-Four Seas Company Limited (iii)	Corporate	Hong Kong	25.0	Investment holding
MFD Holding Company Limited (i)	Corporate	Hong Kong	30.0	Investment holding
Nico-Nico Four Seas Company Limited (iii)	Corporate	Hong Kong	35.0	Investment holding
Nico Four Seas (Shantou) Company Limited (i)(iii)	Corporate	People's Republic of China	35.0	Manufacturing of seaweed products
Papochou Holdings Limited (iv)	Corporate	British Virgin Islands	50.0	Investment holding

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## 14. INTERESTS IN ASSOCIATES (*continued*)

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Pokka Four Seas (Suzhou) Food Company Limited (i)(iii)	Corporate	People's Republic of China	30.0	Manufacturing of canned beverages
Pokka Coffee (Macau) Limited (iv)	Corporate	Macau	49.0	Operator of a coffee shop and restaurant
Pokka Coffee (Zhuhai) Limited (i)(iv)	Corporate	People's Republic of China	50.0	Operator of a coffee shop and restaurant
Pokka Corporation (HK) Limited (iv)	Corporate	Hong Kong	49.0	Operator of coffee shops and restaurants
Pokka Four Seas Company Limited (iv)	Corporate	British Virgin Islands	50.0	Investment holding
Shantou Pokka Coffee Limited (i)(iv)	Corporate	People's Republic of China	49.0	Operator of a coffee shop and restaurant and a bakery shop
Shenzhen Matchless Food Company Limited (i)(iv)	Corporate	People's Republic of China	25.0	Operator of bakery shops and a factory
Want Want Four Seas Company Limited (i)(iii)	Corporate	Hong Kong	30.0	Trading of snack foods

- (i) Audited by public accountants other than Ernst & Young.
- (ii) These associates are indirectly held by the Group and the Group has significant influence over them.
- (iii) The year end date of these associates is not coterminous with that of the Group and is 31 December.
- (iv) The year end date of these associates is not coterminous with that of the Group and is 31 January.

# Notes To Financial Statements

31 March 2001

## 15. LONG TERM INVESTMENTS

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed investments, at market value:				
Hong Kong	20,308	21,891	84	—
Elsewhere	1,638	1,931	—	—
	<u>21,946</u>	<u>23,822</u>	<u>84</u>	<u>—</u>
Unlisted investments, at fair value	356	356	—	—
	<u>22,302</u>	<u>24,178</u>	<u>84</u>	<u>—</u>

## 16. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	14,965	—
Work in progress	676	—
Finished goods	<u>66,921</u>	<u>68,609</u>
	<u>82,562</u>	<u>68,609</u>

## 17. BALANCES WITH ASSOCIATES

The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

# Notes To Financial Statements

31 March 2001

## 18. TRADE RECEIVABLES

The Group grants credit periods ranging from 30 days to 120 days to its trade customers. Details of the ageing analysis of trade receivables are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current – 1 month	69,308	90,917
1 – 2 months	48,798	49,025
2 – 3 months	54,630	59,908
Over 3 months	105,068	151,626
	<u>277,804</u>	<u>351,476</u>

## 19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	44,640	18,388	437	324
Time deposits	99,759	62,744	–	–
	<u>144,399</u>	<u>81,132</u>	<u>437</u>	<u>324</u>

# Notes To Financial Statements

31 March 2001

## 20. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities is a trade payables balance of HK\$49,571,000 (2000: HK\$40,714,000). Details of the ageing analysis of trade payables are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current – 1 month	37,051	26,306
1 – 2 months	9,362	9,469
2 – 3 months	1,839	887
Over 3 months	1,319	4,052
	<u>49,571</u>	<u>40,714</u>

## 21. INTEREST-BEARING BANK BORROWINGS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Trust receipt loans	77,258	101,885
Bank loans	194,485	163,325
	<u>271,743</u>	<u>265,210</u>

The maturity of the above bank borrowings is as follows:

Bank loans and trust receipt loans repayable		
within one year	264,243	265,210
Bank loans repayable in the second year	7,500	–
	<u>271,743</u>	<u>265,210</u>
Portion classified as current liabilities	<u>(264,243)</u>	<u>(265,210)</u>
Long term portion	<u>7,500</u>	<u>–</u>

# Notes To Financial Statements

31 March 2001

## 22. DEFERRED TAX

	Group	
	2001	2000
	HK\$'000	HK\$'000
Balance at beginning of year	1,585	1,610
Arising on acquisition of a subsidiary	22	–
Credit for the year – note 8	(247)	(25)
	<u>1,360</u>	<u>1,585</u>
Balance at end of year	<u>1,360</u>	<u>1,585</u>

The deferred tax provision relates to timing differences arising from accelerated capital allowances.

There are no significant potential deferred tax liabilities for which provision has not been made.

The revaluation of the Group's leasehold land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

## 23. SHARE CAPITAL

### Shares

	Company	
	2001	2000
	HK\$'000	HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
399,565,640 (2000: 312,851,640) ordinary shares of HK\$0.10 each	<u>39,956</u>	<u>31,285</u>

# Notes To Financial Statements

31 March 2001

## 23. SHARE CAPITAL (*continued*)

### (a) Issue of shares

Pursuant to a sale and purchase agreement entered into by the Company, Four Seas Mercantile Limited, an indirect wholly-owned subsidiary, and Four Seas eFood Holdings Limited (“FSFH”) on 30 May 2000, the Company issued 86,714,000 ordinary shares of HK\$0.10 each to FSFH at a price of HK\$1.452 per share as consideration for the acquisition of certain subsidiaries of FSFH. The excess of the fair value of the shares issued over their nominal value of HK\$117,238,000 has been credited to the share premium account. Further details of this transaction are set out in the Company’s circular dated 25 April 2000.

The movement in the issued share capital of the Company during the year is summarised below:

	Number of shares	HK\$’000
At beginning of the year	312,851,640	31,285
Issued on acquisition of certain subsidiaries of FSFH	86,714,000	8,671
	<u>399,565,640</u>	<u>39,956</u>

### (b) Share option scheme

On 4 August 1993, the Company approved a share option scheme (the “Scheme”) under which the directors may, at their absolute discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time. The Scheme will remain in force for a period of ten years from 4 August 1993.

No options have been granted under the Scheme up to the balance sheet date.

# Notes To Financial Statements

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## 24. RESERVES

Group	Share premium account HK\$'000	Capital/ (goodwill) reserve HK\$'000	Revaluation reserve HK\$'000	Long term investment valuation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 1999	207,397	1,407	28,239	(2,431)	384	194,796	429,792
Arising on acquisition of additional interests in an associate and subsidiaries	-	3,146	-	-	-	-	3,146
Movement in fair value	-	-	-	3,593	-	-	3,593
Revaluation reserve released on disposal of investments	-	-	-	33	-	-	33
Share of movement in fair value of investment in securities of an associate	-	-	-	3,263	-	-	3,263
Exchange realignments	-	-	-	-	(52)	-	(52)
Net profit for the year	-	-	-	-	-	56,041	56,041
Dividends	-	-	-	-	-	(19,183)	(19,183)
At 31 March 2000 and beginning of year	207,397	4,553	28,239	4,458	332	231,654	476,633
Premium on issue of shares	117,238	-	-	-	-	-	117,238
Goodwill arising on acquisition of subsidiaries	-	(142,734)	-	-	-	-	(142,734)
Negative goodwill arising on acquisition of additional interests in an associate and a subsidiary	-	2,837	-	-	-	-	2,837
Movement in fair value	-	-	-	(7,055)	-	-	(7,055)
Release on disposal of investment in securities of associates	-	-	-	(1,372)	-	-	(1,372)
Exchange realignments	-	-	-	-	784	-	784
Net profit for the year	-	-	-	-	-	67,490	67,490
Dividend in specie	(84,445)	-	-	-	-	(27,835)	(112,280)
Release on disposal of an associate by way of dividend in specie	-	(3,315)	-	-	72	3,086	(157)
Dividends	-	-	-	-	-	(18,380)	(18,380)
At end of year	240,190	(138,659)	28,239	(3,969)	1,188	256,015	383,004

# Notes To Financial Statements

31 March 2001

## 24. RESERVES (continued)

	Share premium account HK\$'000	Capital/ (goodwill) reserve HK\$'000	Revaluation reserve HK\$'000	Long term investment valuation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Reserve retained by:							
Company and subsidiaries	240,190	(138,156)	28,239	(3,969)	721	246,729	373,754
Associates	–	(503)	–	–	467	9,286	9,250
At 31 March 2001	<u>240,190</u>	<u>(138,659)</u>	<u>28,239</u>	<u>(3,969)</u>	<u>1,188</u>	<u>256,015</u>	<u>383,004</u>
Company and subsidiaries	207,397	5,056	28,239	3,086	205	199,461	443,444
Associates	–	(503)	–	1,372	127	32,193	33,189
At 31 March 2000	<u>207,397</u>	<u>4,553</u>	<u>28,239</u>	<u>4,458</u>	<u>332</u>	<u>231,654</u>	<u>476,633</u>

# Notes To Financial Statements

31 March 2001

## 24. RESERVES (continued)

Included in the share premium account of the Group is an amount of HK\$19,900,000 which represents the difference between the nominal value of the share capital issued by the Company and the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1993.

Company	Long term		Retained profits	Total
	Share premium account	investment valuation reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 1999	241,216	–	9,157	250,373
Net profit for the year	–	–	18,951	18,951
Dividends	–	–	(19,183)	(19,183)
At 31 March 2000 and beginning of year	241,216	–	8,925	250,141
Net profit for the year	–	–	18,722	18,722
Premium on issue of shares	117,238	–	–	117,238
Movement in fair value	–	(50)	–	(50)
Dividend in specie	(84,445)	–	–	(84,445)
Dividends	–	–	(18,380)	(18,380)
At 31 March 2001	274,009	(50)	9,267	283,226

Included in the share premium account of the Company is an amount of HK\$53,719,000 which represents the difference between the nominal value of the share capital issued by the Company and the combined net assets of the subsidiaries acquired pursuant to the group reorganisation in 1993. Under the Company Law (Revised) of the Cayman Islands, a distribution may be made from the share premium account in certain circumstances.

The difference between the share premium accounts of the Company and the Group represents the difference between the aggregate nominal value of the share capital of the subsidiaries and their combined net assets acquired, pursuant to the group reorganisation in 1993.

# Notes To Financial Statements

31 March 2001

## 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Profit from operating activities	85,870	56,573
Depreciation	17,504	10,004
Loss/(gain) on disposal of fixed assets	1,104	(4)
Provision for impairment in value on long term investments	–	2,146
Interest income	(3,716)	(1,694)
Gain on disposal of a long term investment	–	(11)
Dividend income from listed investments	(1,623)	(1,548)
Decrease in inventories	12,283	4,971
Increase in amounts due from associates	(2,152)	(338)
Increase in trade receivables	(22,365)	(29,995)
Decrease in rental deposits	196	–
Decrease/(increase) in prepayments, deposits and other receivables	5,539	(1,782)
Increase in amounts due to associates	395	907
Increase/(decrease) in trade payables and accrued liabilities	20,378	(1,623)
Net cash inflow from operating activities	<u>113,413</u>	<u>37,606</u>

# Notes To Financial Statements

31 March 2001

## 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

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

	Group		
	Share capital (including share premium)	Bank loans	Minority interests
	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 1999	238,682	251,086	11,745
Cash outflow from financing	–	(7,650)	–
Share of loss for the year	–	–	(278)
Purchase of additional interests in subsidiaries	–	–	(1,893)
Acquisition of non-wholly owned subsidiaries	–	–	3,117
Increase in bank loans classified as cash equivalents	–	21,774	–
Balance at 31 March 2000 and 1 April 2001	238,682	265,210	12,691
Cash inflow from financing	–	33,841	–
Issue of shares on acquisition of subsidiaries	125,909	–	–
Share of loss for the year	–	–	(1,899)
Dividend payable to a minority	–	–	(1,267)
Purchase of additional interest in a subsidiary	–	–	(1,409)
Acquisition of a non-wholly owned subsidiary	–	–	12,779
Share of exchange fluctuation reserve	–	–	199
Dividend in specie	(84,445)	–	–
Decrease in bank loans classified as cash equivalents	–	(27,308)	–
Balance at 31 March 2001	280,146	271,743	21,094

# Notes To Financial Statements

31 March 2001

## 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (*continued*)

### (c) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	53,455	4,458
Amount due from a Group company	–	37
Inventories	26,608	446
Rental deposits	11,214	–
Prepayment, deposits and other receivables	8,469	203
Trade receivables	2,332	–
Tax recoverable	–	30
Cash and bank balances	12,225	703
Deferred tax	(22)	–
Tax payable	(1,543)	–
Due to a Group company	(98,745)	–
Trade payables and accrued liabilities	(13,456)	(399)
Loan from shareholder	(16,538)	–
Bank overdrafts	(4,573)	–
	<u>(20,574)</u>	<u>5,478</u>
Minority interests	(12,779)	(3,117)
Shareholder's loan acquired	16,538	–
Goodwill/(negative goodwill) reserve	142,734	(1,019)
	<u>125,919</u>	<u>1,342</u>
Satisfied by:		
Cash	10	–
Issuance of new shares	125,909	–
Interests in associates	–	1,342
	<u>125,919</u>	<u>1,342</u>

# Notes To Financial Statements

31 March 2001

## 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

### (c) Acquisition of subsidiaries *(continued)*

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries.

	2001 HK\$'000	2000 HK\$'000
Cash consideration	(10)	—
Cash and cash equivalents acquired	12,225	703
Bank overdrafts acquired	(4,573)	—
	<u>7,642</u>	<u>703</u>

The subsidiaries acquired during the year paid approximately HK\$893,000 in respect of the Group's net operating cash inflow, paid approximately HK\$1,330,000 in respect of the net cash outflow of returns on investments and servicing of finance, paid HK\$2,502,000 in respect of tax, paid approximately HK\$1,836,000 to the net cash outflow from investing activities and made no contribution in respect of financing.

The subsidiaries acquired during the year contributed HK\$305,932,000 to turnover and HK\$17,077,000 to the consolidated profit after tax and before minority interests for the year.

The subsidiaries purchased in the prior year did not have any significant impact on the Group's cash flow, turnover or the consolidated profit after tax and before minority interests for that year.

# Notes To Financial Statements

31 March 2001

## 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (*continued*)

### (d) Major non-cash transactions

- (i) During the year, certain subsidiaries of FSFH and their shareholder's loan amounting to approximately HK\$16,538,000 were acquired by the Group for a total consideration of approximately HK\$125,909,000. The consideration was satisfied by the issue of 86,714,000 ordinary shares of the Company at a price of HK\$1.452 each, as further detailed in note 23(a).
- (ii) During the year, the Company paid a special dividend, by way of a dividend in specie, as further detailed in note 10.
- (iii) During the year, the amount due from an associate of HK\$6,990,000 was capitalised as additional share capital of 6,990,000 shares of HK\$1 each in the associate.

## 26. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	3,533	—	—	—
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	—	—	964,142	929,730
Associates	28,270	34,570	28,270	34,570
	<u>31,803</u>	<u>34,570</u>	<u>992,412</u>	<u>964,300</u>

At 31 March 2001, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK\$267,619,000 (2000: HK\$261,110,000) and, in connection with the facilities granted by the Group to associates, were utilised to the extent of approximately HK\$24,893,000 (2000: HK\$29,873,000).

# Notes To Financial Statements

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## 27. COMMITMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	5,423	610
In the second to fifth years, inclusive	27,818	540
After five years	—	3,179
	<u>33,241</u>	<u>4,329</u>
Forward foreign exchange contracts	<u>11,976</u>	<u>—</u>

Save as disclosed above, the Company and the Group had no other significant commitments at the balance sheet date.

## 28. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with its related parties during the year:

	Notes	2001	2000
		HK\$'000	HK\$'000
Purchases of goods from associates	(i)	234,764	175,803
Sales of goods to associates	(i)	16,924	7,989
Purchase of additional interests in subsidiaries from minority shareholders	(ii)	950	1,216
Rental paid to a related company	(iii)	<u>926</u>	<u>—</u>

# Notes To Financial Statements

31 March 2001

## 28. RELATED PARTY TRANSACTIONS (*continued*)

*Notes:*

- (i) The cost of purchases from associates is determined by reference to the prevailing market prices. The selling prices of sales to associates are determined by reference to prices and conditions similar to those offered to other customers.
  - (ii) The purchase costs of additional interests in subsidiaries were determined by reference to the net book value or the minority shareholder's capital contribution of the subsidiaries.
  - (iii) The rental paid to a related company is determined by reference to the estimated market rental.
- (b) The Company has made guarantees in favour of certain banks for banking facilities granted to associates to the extent of HK\$28,270,000 (2000: HK\$34,570,000), as further detailed in note 26.
- (c) Purchase of certain subsidiaries from FSFH

FSFH, a former associate of the Group, was distributed to the Group's shareholders by way of a dividend in specie during the year. On 3 April 2000, the Company entered into a conditional sale and purchase agreement with FSFH (the "Agreement"). Pursuant to the Agreement, the Company acquired certain subsidiaries of FSFH, namely Hong Kong Ham Holdings Limited, Homeright Properties Limited, Shenzhen Yaohan Zhonghao Food Co., Ltd. and Yaohan (Yanwin) Food Co. Limited, and the shareholder's loan owing by those subsidiaries to FSFH amounting to approximately HK\$16,538,000, for a consideration of approximately HK\$125,909,000. This consideration was satisfied by the issue of 86,714,000 ordinary shares of the Company at a price of HK\$1.452 each. Further details of this transaction are set out in note 25(c) and in the Company's circular dated 25 April 2000.

## 29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 24 July 2001.