

## NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars)*

### 1. Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the Board of Directors is included on page 34 to 35.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the HKSA.

The financial information relating to the financial year ended 31st March, 2001 included in the interim financial report does not constitute the statutory accounts of the Company and its subsidiaries (the “Group”) for that financial year but is derived from those accounts. Statutory accounts for the year ended 31st March, 2001 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 12th July, 2001.

The same accounting policies adopted in the 2000/2001 annual accounts have been applied to the interim financial report except for the change in accounting policy with respect to dividend recognition as described below.

In prior years, dividends proposed or declared 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 HKSA, the Group recognises dividends proposed or declared 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). As a result of this change in accounting policy, the Group’s net assets at 30th September, 2001 have been increased by \$27,233,000 (at 31st March, 2001: \$49,701,000). There is no impact on the Group’s profit attributable to shareholders for the periods presented. This 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 periods.

## 1. Basis of preparation (continued)

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2000/2001 annual accounts.

## 2. Asset-based geographical segmentation

The analysis of the geographical location of the operations of the Group during the period is as follows:

	Six months ended 30th September,		Operating Profit	
	Group Turnover		Before Finance Cost	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Hong Kong	606,766	501,518	82,951	71,884
North America	239,924	207,530	(25,556)	(10,597)
The Mainland	252,956	294,893	32,927	37,415
Australia and New Zealand	3,876	—	(8,668)	(563)
	<b>1,103,522</b>	1,003,941	<b>81,654</b>	98,139
Unallocated	—	—	(9,196)	(6,260)
	<b>1,103,522</b>	1,003,941	<b>72,458</b>	91,879

Asset-based segment reporting is in line with the Group's internal management information reporting system. No business segment analysis of the Group's turnover and trading result is presented as all the Group's turnover and trading result are generated from manufacture and distribution of food and beverages.

## 3. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after (crediting)/charging:

	<b>Six months ended 30th September,</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Interest income	<b>(8,092)</b>	(10,873)
Interest on borrowings	<b>8,394</b>	6,141
Depreciation	<b>49,105</b>	43,960

## 4. Taxation

	<b>Six months ended 30th September,</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Hong Kong taxation	<b>16,205</b>	15,465
Overseas taxation	<b>1,090</b>	1,302
Deferred taxation	<b>749</b>	(203)
	<b>18,044</b>	16,564
Share of associates' taxation	<b>6</b>	15
	<b>18,050</b>	16,579

The provision for Hong Kong profits tax is calculated at 16% (2000:16%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

## 5. Dividends

(a) *Dividends attributable to the interim period*

	<b>Six months ended 30th September,</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Interim dividend declared after the interim period end of 2.8 cents per share (2000: 2.8 cents per share)	<b>27,233</b>	27,287

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

(b) *Dividends attributable to the previous financial year, approved and paid during the interim period*

	<b>Six months ended 30th September,</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 5.1 cents per share (2000: 4.5 cents per share, adjusted for the bonus issue in September 2000 as set out in note (i))	<b>49,701</b>	43,520

*Note:*

- (i) Pursuant to an ordinary resolution passed at the annual general meeting held on 6th September, 2000, a bonus issue of 324,777,000 shares, credited as fully paid, was made by way of capitalisation of \$81,194,000 from retained profits on the basis of one new share for every two existing shares held on 6th September, 2000.

## 6. Earnings per share

### (a) Basic earnings per share

Basic earnings per share is calculated by using the profit attributable to shareholders of \$48,726,000 (2000: \$65,693,000) and the weighted average number of 974,417,000 shares (2000: 974,402,000 shares) in issue during the period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of \$48,726,000 (2000: \$65,693,000) and the weighted average number of 976,113,000 shares (2000: 974,951,000 shares) in issue during the period after adjusting for the effects of all dilutive potential ordinary shares.

### (c) Reconciliation

	<b>Six months ended 30th September,</b>	
	<b>2001 Number of Shares '000</b>	<b>2000 Number of Shares '000</b>
Weighted average number of shares used in calculating basic earnings per share	<b>974,417</b>	974,402
Deemed issue of shares for no consideration arising from share options	<b>1,696</b>	549
Weighted average number of shares used in calculating diluted earnings per share	<b>976,113</b>	974,951

## 7. Long-term loans

Pursuant to an agreement entered into on 20th January, 2000, which was disclosed as a connected transaction under the Main Board 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 substantial shareholder of the Company's subsidiary, The 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:

	<b>At 30th September, 2001 \$'000</b>	<b>At 31st March, 2001 \$'000</b>	
Within one year ( <i>Note 9</i> )	<b>6,562</b>	6,129	
After one year	<b>2,065</b>	6,101	20
	<b>8,627</b>	12,230	

The Company has financed the loans with bank facilities established for this purpose. The balance of the utilised banking facilities as at 30th September, 2001 is included in the current portion of bank loans and bank overdrafts.

## 8. Inventories

At 30th September, 2001, the amount of inventories of the Group carried at net realisable value was \$512,000 (31st March, 2001: \$362,000).

## 9. Trade and other receivables

	<b>At 30th September, 2001 \$'000</b>	<b>At 31st March, 2001 \$'000</b>
Debtors and prepayments	<b>372,677</b>	310,538
Current portion of long-term loans (Note 7)	<b>6,562</b>	6,129
	<b>379,239</b>	316,667

Included in debtors and prepayments are trade debtors and bills receivable (net of provisions for bad and doubtful debts) with the following ageing analysis:

	<b>At 30th September, 2001 \$'000</b>	<b>At 31st March, 2001 \$'000</b>
0 – 3 months	<b>293,959</b>	238,425
4 – 6 months	<b>40,179</b>	41,833
Over 6 months	<b>526</b>	722
	<b>334,664</b>	280,980
Deposits, prepayments and other debtors	<b>38,013</b>	29,558
	<b>372,677</b>	310,538

The credit terms given to the customers vary and are generally based on the financial strength of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

**10. Cash and cash equivalents**

	<b>At 30th September, 2001 \$'000</b>	<b>At 31st March, 2001 \$'000</b>
Bank deposits	<b>87,990</b>	278,437
Cash at bank and in hand	<b>42,792</b>	48,485
	<b>130,782</b>	326,922

At 30th September, 2001, cash at bank and in hand of the Group pledged as security for liabilities was \$16,223,000 (31st March, 2001: \$12,429,000).

**11. Trade and other payables**

Included in trade and other payables are creditors and bills payable with the following ageing analysis:

	<b>At 30th September, 2001 \$'000</b>	<b>At 31st March, 2001 \$'000</b>
0 – 3 months	<b>197,790</b>	160,315
4 – 6 months	<b>6,795</b>	2,623
Over 6 months	<b>1,311</b>	2,229
	<b>205,896</b>	165,167
Accrued expenses and other payables	<b>125,234</b>	155,319
Provision for retirement gratuities and long service payments	<b>15,000</b>	15,419
	<b>346,130</b>	335,905



## 12. Share capital

	<b>Number of shares</b> '000	<b>Amount</b> \$'000
<b>Authorised at 30th September, 2001 :</b>		
Shares of \$0.25 each	<u>3,200,000</u>	<u>800,000</u>
<b>Issued and fully paid:</b>		
At 1st April, 2001	974,526	243,631
Shares repurchased ( <i>note (a)</i> )	<u>(1,930)</u>	<u>(483)</u>
At 30th September, 2001	<u>972,596</u>	<u>243,148</u>

Notes:

- (a) During the period, the Company repurchased 1,930,000 of its shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled, for consideration totalling \$2,115,000. The nominal value of the cancelled shares was credited to capital redemption reserve and the consideration was paid out of retained profits. Details of the shares repurchased are as follows:

<b>Month of repurchase</b>	<b>Number of shares</b> ( '000)	<b>Price per share</b>		<b>Aggregate amount</b> \$'000
		<b>Highest</b> \$	<b>Lowest</b> \$	
September 2001	1,930	1.15	1.04	2,115

## 12. Share capital (continued)

- (b) During the period, no share option was exercised to subscribe for shares in the Company.

At 30th September, 2001, options to subscribe for 36,027,000 shares under the Company's share option scheme were unexercised (31st March, 2001: 62,721,000 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.

On 9th March, 1994, the Company adopted a share option scheme under which the Directors may, at their discretion on or before 9th March, 2004, grant options to eligible Directors and employees to subscribe for shares of \$0.25 each in the Company. At 30th September, 2001, the outstanding options granted under the schemes were:

Date granted	Period during which options are exercisable	Price per share to be paid on exercise of options \$	Number of shares acquired on exercise of options during the period	Number of options forfeited during the period on resignation of eligible employees	Number of options expired during the period	Number of options outstanding as at 30th September, 2001
28th June, 1994	31/5/1995 — 31/5/2001	1.435	Nil	787,500	17,298,750	Nil
3rd September, 1996	4/9/1996 — 3/9/2001	1.275	Nil	281,250	6,899,250	Nil
28th June, 1998	1/8/1998 — 31/7/2003	1.104	Nil	2,250	Nil	10,299,000
4th July, 2000	7/9/2000 — 31/8/2005	1.193	Nil	1,425,000	Nil	25,728,000

## 13. Reserves

Movements on reserves comprise:

	<b>At 30th September, 2001 \$'000</b>	<b>At 31st March, 2001 \$'000</b>
Share premium		
At 1st April	<b>267,574</b>	267,407
Premium on issue of shares	<b>—</b>	167
	<hr/>	<hr/>
At 30th September/31st March	<b>267,574</b>	267,574
	<hr/>	<hr/>
Capital reserve		
At 1st April	<b>108,261</b>	112,348
Transfer to profit and loss account	<b>(2,043)</b>	(4,087)
	<hr/>	<hr/>
At 30th September/31st March	<b>106,218</b>	108,261
	<hr/>	<hr/>
Capital redemption reserve		
At 1st April	<b>618</b>	558
Repurchase of own shares	<b>483</b>	60
	<hr/>	<hr/>
At 30th September/31st March	<b>1,101</b>	618
	<hr/>	<hr/>
Legal reserve		
At 1st April	<b>2,928</b>	1,766
Transfer from profit and loss account	<b>1,743</b>	1,162
	<hr/>	<hr/>
At 30th September/31st March	<b>4,671</b>	2,928
	<hr/>	<hr/>

**13. Reserves (continued)**

	<b>At 30th September, 2001 \$'000</b>	At 31st March, 2001 \$'000
General reserve		
At 1st April and 30th September/31st March	<b>2,261</b>	2,261
Exchange reserve		
At 1st April	<b>(35,853)</b>	(31,439)
Exchange differences arising on consolidation	<b>122</b>	(4,414)
At 30th September/31st March	<b>(35,731)</b>	(35,853)
Profit and loss account		
At 1st April as previously reported	<b>538,754</b>	566,232
Effect of adopting SSAP 9 (revised) (Note 1)	<b>49,701</b>	43,520
At 1st April as restated	<b>588,455</b>	609,752
Final dividends approved in respect of the previous financial year (Note 5(b))	<b>(49,701)</b>	(43,520)
Interim dividends declared and paid during the period/year	—	(27,287)
Profit for the period/year	<b>48,726</b>	128,146
Repurchase of shares	<b>(2,115)</b>	(367)
Bonus issue	—	(81,194)
Transfer to legal reserve	<b>(1,743)</b>	(1,162)
Transfer from capital reserve	<b>2,043</b>	4,087
At 30th September/31st March	<b>585,665</b>	588,455
Total at 30th September/31st March	<b>931,759</b>	934,244

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## 14. Capital commitments

	At 30th September, 2001 \$'000	At 31st March, 2001 \$'000
Contracted for	18,752	8,771
Authorised but not contracted for	48,370	109,982
	<b>67,122</b>	<b>118,753</b>

## 15. Contingent liabilities

Three death lawsuits filed against Nasoya Foods Inc. (one of the Company's subsidiaries) relating to a traffic accident that occurred in 2000 have been settled. The amounts claimed were all covered by insurance taken out by Nasoya Foods Inc.. Other claims that are still pending or could potentially be filed are minor, and liability, if any, in excess of the insured amounts cannot be estimated reliably at this stage. Based on the information currently available, management's opinion is that this matter is not anticipated to have a material adverse effect on the Group's financial position, operational results, or cash flows. Therefore, no provision has been made in respect of these claims.

## 16. Material related party transactions

There were no significant related party transactions undertaken by the Group at any time during the six-month period.

## 17. Comparative figures

Certain comparative figures have been adjusted as a result of a change in accounting policy in respect of dividend recognition.

## 18. Approval of interim financial report

The interim financial report was approved by the Board on 30th November, 2001.