



## 1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Stock Exchange of Hong Kong Limited since 8 October 1992. The registered office of the Company is located at Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

During the year, the Group was engaged in the production and distribution of wines, ostrich farming for the production of ostrich leather and meat. As further detailed in note 11 to the financial statements, the ostrich farming operations for the production of ostrich leather and meat were discontinued during the year.

## 2. BASIS OF PRESENTATION

The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, the books and records in respect of subsidiaries incorporated and operating in South Africa, were not fully available due to the reasons further detailed below. In particular:

(a) *Oryx Tanning Company (Proprietary) Limited ("Oryx Tanning")*

Oryx Tanning is an indirect wholly owned subsidiary of the Company incorporated in South Africa and was engaged in the business of processing and trading of ostrich leather and meat. Oryx Tanning had an overdraft facility with Nedcor Bank Limited ("Nedcor"). On 21 December 2001, Nedcor served notice to Oryx Tanning for the immediate repayment of all amounts under the overdraft facility amounted to approximately Rand35.7 million (approximately HK\$23.5 million) and Oryx Tanning defaulted in repayment of the overdraft facility due to an insufficiency of funds when Nedcor called the loan. Accordingly, Nedcor applied for and obtained a provisional order for creditors' liquidation of Oryx Tanning in the High Court of South Africa on the same day when the operations of Oryx Tanning were taken over by the provisional liquidator. Subsequent to the balance sheet date, on 29 January 2002, an order was granted by the High Court of South Africa to wind up Oryx Tanning.

(b) *Kenwell Cape Farm (Proprietary) Ltd. ("Kenwell Cape Farm"), Kenwell Farm (Proprietary) Ltd. ("Kenwell Farm") and Oryx Abattoir Property (Proprietary) Limited ("Oryx Abattoir")*

Kenwell Cape Farm, Kenwell Farm and Oryx Abattoir are indirect wholly owned subsidiaries of the Company incorporated in South Africa. Kenwell Cape Farm and Kenwell Farm were engaged in the business of ostrich farming. Oryx Abattoir was engaged in the business of property holding



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## 2. BASIS OF PRESENTATION (CONTINUED)

(b) *Kenwell Cape Farm (Proprietary) Ltd. ("Kenwell Cape Farm"), Kenwell Farm (Proprietary) Ltd. ("Kenwell Farm") and Oryx Abattoir Property (Proprietary) Limited ("Oryx Abattoir") (continued)*

which included a factory for ostrich skin tanning. Since the bank overdraft facility of Oryx Tanning owing to Nedcor was secured by cross guarantees among Oryx Tanning, Kenwell Cape Farm, Kenwell Farm and Oryx Abattoir, the operations of these companies were also foreclosed by the provisional liquidator on 21 December 2001. Subsequent to the balance sheet date, separate court orders were granted by the High Court of South Africa on 30 January 2002 to wind up these subsidiaries as a consequence of the liquidation of Oryx Tanning.

The assets and underlying books and records in respect of Oryx Tanning, Kenwell Cape Farm, Kenwell Farm and Oryx Abattoir (collectively referred to as the "South African Subsidiaries") were seized under court order as security for any unsettled claims of a bank against the South African Subsidiaries. Due to the restrictions imposed by the liquidators, the directors are currently unable to obtain access to the books and records of the South African Subsidiaries.

In view of the foregoing, no representations as to the completeness of the books and records of the South African Subsidiaries can be given by the directors. Although care has been taken in the preparation of these financial statements to mitigate the effect of incomplete records, the directors are unable to represent that all transactions entered into in the name of the South African Subsidiaries have been included in the financial statements. To the extent possible, the directors have taken such steps as they considered practicable to ascertain the accuracy of the account balances and have made provisions, adjustments and disclosures as they considered appropriate in the preparation of these financial statements, including significant post balance sheet events up to the date of approval of these financial statements. Details of the operating results of the South African Subsidiaries up to the date of the issue of the provisional liquidation order and their financial position as at the balance sheet date are set out in notes 5, 11 and 24, respectively.

## 3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"



### 3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (CONTINUED)

- SSAP 26: “Segment reporting”
- SSAP 28: “Provisions, contingent liabilities and contingent assets”
- SSAP 29: “Intangible assets”
- SSAP 30: “Business combinations”
- SSAP 31: “Impairment of assets”
- SSAP 32: “Consolidated financial statements and accounting for investments in subsidiaries”
- Interpretation 12: “Business combinations – subsequent adjustment of fair values and goodwill initially reported”
- Interpretation 13: “Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs and Interpretations, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the appropriation from the profit after tax of the Company’s PRC subsidiaries to the PRC statutory reserves which is not approved until after the balance sheet date, is no longer appropriated at the balance sheet date. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 29 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 27 and 33 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company’s own financial statements for the year. The SSAP has had no major impact on these financial statements.



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## 3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (CONTINUED)

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group’s predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The SSAP has had no major impact on these financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 4 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 29 to the financial statements. The required new additional disclosures are included in note 29 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements. The impairment losses recognised during the year and additional disclosures as required are disclosed in notes 11,14,16 and 19 to the financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no impact on the preparation of these financial statements.



## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with the 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.

### Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2001, except for the subsidiaries which have been identified as “subsidiaries under liquidation” and “subsidiaries held for disposal” as set out in notes 23 and 24, respectively.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from their effective dates of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company’s interests in subsidiaries are stated at cost less any impairment losses.

### Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally 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 interests in associates are stated in the consolidated balance sheet at the Group’s share of net assets under the equity method of accounting less any impairment losses.



# Notes to Financial Statements

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

### Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.



## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Negative goodwill (continued)

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 January 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

### Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.



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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

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 asset has 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 the 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 of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term land use right	Over the terms of the relevant land use right
Leasehold land and buildings	2% – 5%
Machinery and equipment	9% – 25%
Furniture and fixtures	9% – 25%
Motor vehicles	18% – 20%
Breeder birds	5%





## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment (continued)

Freehold land is not depreciated.

Construction in progress is stated at cost less any impairment losses which includes all construction costs and other direct costs attributable to such projects including borrowing costs capitalised in accordance with the Group's accounting policy. It is not depreciated until the completion of construction. Construction in progress is reclassified to the appropriate categories of property, plant and equipment when completed and ready for use.

The gain or loss on disposal or retirement of an asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Company or other members of the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing thereof. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and their estimated useful lives. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor company 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.

### Intangible assets

Intangible assets represent the production technology and knowhow in setting up new manufacturing facilities of a subsidiary, Dong Feng Shao Xing Wine Co., Ltd. ("Dong Feng") in 1994. The value of the intangible assets represents the excess of the agreed contribution by the other joint venture partner pursuant to the joint venture agreement over the actual fair value of tangible assets contributed by the joint venture partner into Dong Feng and are amortised on the straight-line basis over the 20 year tenure of Dong Feng.



# Notes to Financial Statements

31 December 2001

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Long term investments

Long term investments in listed and unlisted equity securities, intended to be held for an identifiable or long term purpose, are stated at cost less any impairments losses.

When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged is credited to the profit and loss account to the extent of the amounts previously charged.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. Cost includes all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Also, included in the inventories were live ostriches for slaughtering. A relevant portion of direct and overhead costs incurred prior to slaughtering was absorbed to the cost of these live ostriches. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent that 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.