



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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 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) from the 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) rental and leasing income, on a straight-line basis over the terms of the relevant lease;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and effective interest rates applicable;
- (d) from the rendering of services, when the services are rendered; and
- (e) dividends, when the shareholders' right to receive payment is established.

### 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.



# Notes to Financial Statements

31 December 2001

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

### Foreign currencies (continued)

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

### Retirement scheme

Retirement benefits are provided to certain Hong Kong staff employed by the Group. In accordance with the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Schemes Ordinance, the Group's Hong Kong employees enjoy retirement benefits under either the Mandatory Provident Fund Exempted ORSO scheme, or the Mandatory Provident Fund Scheme operated since 1 December 2000 under which employer's voluntary contributions have to be made. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to both schemes are at a maximum of 5% of the monthly salary. When an employee leaves the Mandatory Provident Fund Exempted ORSO 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. However, in respect of the Mandatory Provident Fund Scheme, the forfeited amounts shall be refunded to the Group when the members leave employment prior to the vesting of any employer voluntary contributions. The Group's mandatory contributions are fully vested with the employees when the employees leave the scheme.

Prior to 1 December 2000, the Group operated a defined contribution retirement benefits scheme (that is the predecessor of the Mandatory Provident Fund Exempted ORSO scheme) for those employees who were eligible and had elected to participate in the scheme. The assets of the scheme were held separately from those of the Group in an independently administered fund. Contributions were made based on a percentage of the participating employees' basic salaries and were charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee left the 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.

The employees in subsidiaries located in the People's Republic of China ("the PRC") are members of the Central Pension Scheme operated by the Chinese government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation of the subsidiaries with respect to the Central Pension Scheme is to meet the required contributions under the Central Pension Scheme.

The employees in the subsidiaries located in South Africa are not entitled to receive retirement benefit contributions from the Group.



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

### 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

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.

## 5. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the wine products segment engages in the manufacture, sale and distribution of wines; and
- (b) the ostrich products segment engages in the ostrich farming and the processing and distribution of ostrich leather and meat.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

# Notes to Financial Statements

31 December 2001

## 5. SEGMENT INFORMATION (CONTINUED)

### (a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

#### Group

	Continuing wine products		Discontinued ostrich products		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue:						
Turnover	<u>152,821</u>	<u>135,617</u>	<u>40,342</u>	<u>52,374</u>	<u>193,163</u>	<u>187,991</u>
Segment results	<u>27,121</u>	<u>31,882</u>	<u>(7,650)</u>	<u>(5,752)</u>	19,471	26,130
Unallocated income					1,540	8,519
Unallocated expenses					(15,645)	(29,260)
Profit from operating activities					5,366	5,389
Finance costs					(15,725)	(17,109)
Share of losses of associates					-	(4,001)
Loss on liquidation and disposal of discontinued operations					(140,790)	(36,088)
Provision against amounts due from associates					(6,525)	(13,487)
Impairment of property, plant and equipment					(14,534)	-
Impairment of long term investment					(154,700)	-
Loss before tax					(326,908)	(65,296)
Tax					(6,392)	(7,564)
Loss before minority interests					(333,300)	(72,860)
Minority interests					(8,059)	(9,515)
Net loss from ordinary activities attributable to shareholders					<u>(341,359)</u>	<u>(82,375)</u>



## 5. SEGMENT INFORMATION (CONTINUED)

### (a) Business segments (continued)

	Continuing wine products		Discontinued ostrich products		Consolidated	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	438,920	486,044	–	169,346	438,920	655,390
Unallocated assets					80,133	276,320
Total assets	<u>438,920</u>	<u>486,044</u>	<u>–</u>	<u>169,346</u>	<u>519,053</u>	<u>931,710</u>
Segment liabilities	213,603	224,736	–	70,385	213,603	295,121
Unallocated liabilities					2,485	12,502
Total liabilities	<u>213,603</u>	<u>224,736</u>	<u>–</u>	<u>70,385</u>	<u>216,088</u>	<u>307,623</u>
Other segment information:						
Depreciation	10,613	9,783	3,757	3,984	14,370	13,767
Unallocated amounts					930	2,093
Total					<u>15,300</u>	<u>15,860</u>
Impairment losses recognised in the profit and loss account, unallocated					169,234	–
Capital expenditure	9,949	6,480	3,160	11,393	13,109	17,873
Unallocated amounts					157	1,637
Total					<u>13,266</u>	<u>19,510</u>
Amortisation of intangible assets	<u>1,377</u>	<u>1,358</u>	<u>–</u>	<u>–</u>	<u>1,377</u>	<u>1,358</u>

# Notes to Financial Statements

31 December 2001

## 5. SEGMENT INFORMATION (CONTINUED)

### (b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

#### 2001

	Hong Kong HK\$'000	Elsewhere in the PRC HK\$'000	Asia HK\$'000	North America HK\$'000	Europe HK\$'000	South Africa HK\$'000	Consolidated HK\$'000
Continuing operations							
Segment revenue:							
Turnover	5,898	139,525	7,398	-	-	-	152,821
Segment results	(7,973)	33,811	1,283	-	-	-	27,121
Segment assets	109,271	409,782	-	-	-	-	519,053
Capital expenditure	962	8,204	-	-	-	-	9,166
Discontinued operations							
Segment revenue:							
Turnover	1,910	994	52	15,201	10,682	11,503	40,342
Segment results	(403)	(1,920)	(21)	(876)	(338)	(4,092)	(7,650)
Segment assets	-	-	-	-	-	-	-
Capital expenditure	-	940	-	-	-	3,160	4,100

#### 2000

	Hong Kong HK\$'000	Elsewhere in the PRC HK\$'000	Asia HK\$'000	North America HK\$'000	Europe HK\$'000	South Africa HK\$'000	Consolidated HK\$'000
Continuing operations							
Segment revenue:							
Turnover	1,059	129,622	4,936	-	-	-	135,617
Segment results	(5,913)	37,666	129	-	-	-	31,882
Segment assets	299,356	463,008	-	-	-	-	762,364
Capital expenditure	1,718	6,418	-	-	-	-	8,136
Discontinued operations							
Segment revenue:							
Turnover	8,541	2,875	1,534	13,759	11,647	14,018	52,374
Segment results	(1,018)	(4,511)	184	2,517	1,756	(4,680)	(5,752)
Segment assets	-	-	-	-	-	169,346	169,346
Capital expenditure	-	1,890	-	-	-	9,484	11,374

# Notes to Financial Statements

31 December 2001



## 6. TURNOVER, REVENUE AND GAINS

Turnover represents the aggregate of the invoiced value of goods sold, net of discounts and returns.

An analysis of the Group's turnover, other revenue and gains is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover		
Sales of wines – continuing operations	152,821	135,617
Sales of ostrich leather and meat – discontinued operations	40,342	52,374
	<u>193,163</u>	<u>187,991</u>
Other revenue		
Interest income	244	4,049
Management fee income	–	4,100
Rental income from leasing of property, plant and equipment	320	342
Others	1,142	2,041
	<u>1,706</u>	<u>10,532</u>
Gains		
Gain on disposal of property, plant and equipment	2,553	312
	<u>4,259</u>	<u>10,844</u>

# Notes to Financial Statements

31 December 2001

## 7. PROFIT FROM OPERATING ACTIVITIES

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Auditors' remuneration:		
Current year's provision	1,213	1,346
Prior year's underprovision	–	200
Depreciation	15,300	15,860
Amortisation of intangible assets*	1,377	1,358
Staff costs (excluding directors' remuneration, note 9):		
Wages and salaries	22,921	23,305
Retirement scheme contributions	117	114
Forfeited contributions	–	(52)
Net contributions**	<u>117</u>	<u>62</u>
	<u>23,038</u>	<u>23,367</u>
Minimum lease payments under operating leases on land and buildings	<u>582</u>	<u>569</u>

\* The amortisation of intangible assets for the year is included in "administrative expenses" on the face of the consolidated profit and loss account.

\*\* There were no forfeited retirement scheme contributions available at the balance sheet date to reduce contributions in future years (2000: Nil).

## 8. FINANCE COSTS

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	14,725	15,814
Interest on other loans wholly repayable within five years	904	674
Interest on finance leases	96	621
	<u>15,725</u>	<u>17,109</u>



# Notes to Financial Statements

31 December 2001



## 9. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Details of directors' remuneration charged to the Group's profit and loss account are set out below:

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Fees	–	–
Other emoluments:		
Salaries, allowance and benefits in kind	3,962	4,160
Retirement scheme contributions	39	–
	<hr/>	<hr/>
	<u>4,001</u>	<u>4,160</u>

The number of directors whose remuneration fell within the bands set out below is as follows:

	<b>2001</b> <b>Number</b> <b>of directors</b>	<b>2000</b> <b>Number</b> <b>of directors</b>
Nil – HK\$1,000,000	8	9
HK\$1,000,001 – HK\$1,500,000	1	1
	<hr/>	<hr/>
	<u>9</u>	<u>10</u>

No fee or other remuneration has been paid to the non-executive directors for the years ended 31 December 2001 and 2000.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.



# Notes to Financial Statements

31 December 2001

## 9. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (CONTINUED)

### Five highest paid employees

The five highest paid employees during the year comprise five executive directors (2000: four executive directors and one employee). Further details of the remuneration of the remaining highest paid employee for the year ended 31 December 2000 are set out below:

	<b>Group 2000</b> <i>HK\$'000</i>
Salaries, allowances and benefits in kind	390
Retirement scheme contributions	13
	<hr/>
	403
	<hr/> <hr/>

## 10. TAX

No Hong Kong profits tax has been provided as the Company, its subsidiaries and associates either had no assessable profits arising in Hong Kong, or have available tax losses brought forward from prior years to offset assessable profits arising in Hong Kong for the year (2000: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Group</b>	
	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Provision for the year:		
Company and subsidiaries		
Hong Kong	–	–
Elsewhere	6,392	7,564
	<hr/>	<hr/>
	6,392	7,564
Share of tax attributable to associates	–	–
	<hr/>	<hr/>
Tax charge for the year	<u>6,392</u>	<u>7,564</u>

# Notes to Financial Statements

31 December 2001



## 10. TAX (CONTINUED)

The principal components of the Group's unprovided net deferred tax asset position not recognised in the financial statements at the balance sheet date are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Accelerated depreciation allowances	251	127
Tax losses	(9,050)	(9,218)
Others	(5)	(692)
	<u>(8,804)</u>	<u>(9,783)</u>

No provision has been made for taxes which would arise on the remittance to Hong Kong of retained profits of overseas companies as it is not anticipated that these amounts will be remitted in the foreseeable future.

The Company did not have any significant deferred tax as at the balance sheet date (2000: Nil).

## 11. DISCONTINUED OPERATIONS

### Operations discontinued in 2001

As more fully explained in note 2 to the financial statements, the Group's ostrich product operations were discontinued since the granting of a court order for the provisional liquidation of the South African Subsidiaries. The consolidated profit and loss account included the results of the South African Subsidiaries up to 21 December 2001, based on the South African Subsidiaries' unaudited management accounts, which are summarised below:



# Notes to Financial Statements

31 December 2001

## 11. DISCONTINUED OPERATIONS (CONTINUED)

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	40,342	52,374
Cost of sales	(37,110)	(31,277)
Gross profit	<u>3,232</u>	<u>21,097</u>
Other revenue and gains	2,876	3,299
Selling and distribution costs	(3,236)	(3,168)
Administrative expenses	(10,433)	(23,992)
Operating loss from discontinued operations	<u><u>(7,561)</u></u>	<u><u>(2,764)</u></u>

### Operations discontinued in the prior year

In January 2000, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Firststone Electronics Company Limited, a subsidiary, at a consideration of RMB22,062,000 (equivalent to HK\$20,014,000). A loss of approximately HK\$11,772,000, being the proceeds less the carrying amount of the attributable net assets, translation reserve and goodwill arising from the disposal, was charged to the profit and loss account for the year ended 31 December 2000.

Since 1998, the Group has ceased its manufacturing and trading of electronic components operations in Hong Kong and elsewhere in the PRC. As detailed in note 24 to the financial statements, two subsidiaries previously engaged in the manufacturing and trading of electronic components were disposed of during the year. A provision of HK\$24,316,000 was made during the year ended 31 December 2000 to write down the carrying value of the attributable net assets of these subsidiaries and the goodwill previously included in the contributed surplus (note 29) to the estimated net realisable value.

# Notes to Financial Statements

31 December 2001



## 11. DISCONTINUED OPERATIONS (CONTINUED)

The loss on liquidation and the disposal of the discontinued operations for the year, included in the consolidated financial statements, was as follows:

	2001 HK\$'000	2000 HK\$'000
Impairment of subsidiaries under liquidation (including impairment of goodwill and translation reserves) <i>(note 23)</i>	(71,166)	–
Provision against amounts due from subsidiaries under liquidation <i>(note 23)</i>	(69,624)	–
Loss on disposal of subsidiaries	–	(11,772)
Impairment of subsidiaries held for disposal (including impairment of goodwill) <i>(note 24)</i>	–	(24,316)
	<hr/>	<hr/>
Loss on liquidation and disposal of discontinued operations	<u>(140,790)</u>	<u>(36,088)</u>

## 12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company amounted to HK\$321,909,000 (2000: HK\$58,410,000).

# Notes to Financial Statements

31 December 2001

## 13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders of HK\$341,359,000 (2000: HK\$82,375,000) and the weighted average number of 3,993,409,113 shares (2000: 3,366,481,539 shares) in issue during the year.

Diluted loss per share for the years ended 31 December 2001 and 2000 has not been shown because the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for the years.

## 14. PROPERTY, PLANT AND EQUIPMENT

### Group

	Land and buildings HK\$'000	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Breeder birds HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:							
At 1 January 2001	194,591	87,878	19,441	8,039	5,213	4,115	319,277
Additions	42	911	3,953	157	–	8,203	13,266
Transfers	5,701	4,853	192	–	–	(10,746)	–
Subsidiaries under liquidation ( <i>note 23</i> )	(13,686)	(3,410)	(8,034)	(1,110)	(3,290)	–	(29,530)
Disposals	(6,394)	(705)	(2,559)	(851)	–	–	(10,509)
Exchange realignment	(9,530)	(1,113)	(3,281)	(978)	(1,923)	45	(16,780)
At 31 December 2001	170,724	88,414	9,712	5,257	–	1,617	275,724
Accumulated depreciation and impairment:							
At 1 January 2001	29,728	46,594	8,296	4,599	414	–	89,631
Depreciation provided during the year	6,052	6,148	1,542	1,394	164	–	15,300
Impairment during the year recognised in the profit and loss account	9,180	2,044	3,196	114	–	–	14,534
Subsidiaries under liquidation ( <i>note 23</i> )	(526)	(2,416)	(1,759)	(842)	(425)	–	(5,968)
Disposals	(300)	(695)	(1,190)	(735)	–	–	(2,920)
Exchange realignment	210	(118)	(998)	(432)	(153)	–	(1,491)
At 31 December 2001	44,344	51,557	9,087	4,098	–	–	109,086
Net book value:							
At 31 December 2001	126,380	36,857	625	1,159	–	1,617	166,638
At 31 December 2000	164,863	41,284	11,145	3,440	4,799	4,115	229,646