

# Notes to Financial Statements

31 December 2001



## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The lease terms of the land and buildings are as follows:

	Hong Kong <i>HK\$'000</i>	Overseas <i>HK\$'000</i>	Total <i>HK\$'000</i>
Medium term leases	<u>20,814</u>	<u>149,910</u>	<u>170,724</u>

The net book value of the Group's motor vehicles at 31 December 2001 included an amount of HK\$793,000 in respect of assets held under finance leases. As at 31 December 2000, the Group's net book value of motor vehicles, machinery and equipment held under finance leases amounted to HK\$4,791,000.

The Group capitalised no interest during the year (2000: Nil).

At 31 December 2001, the Group's land and buildings with a net book value of HK\$9,000,000 (2000: HK\$57,378,000) were pledged to secure general banking facilities granted to the Group. As at 31 December 2000, certain of the Group's machinery and equipment with a net book value of approximately HK\$26,261,000 were pledged to secure general banking facilities granted to the Group. There was no machinery and equipment pledged as at 31 December 2001 (note 26).

### Company

	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January 2001	204	1,409	1,613
Additions	–	157	157
At 31 December 2001	<u>204</u>	<u>1,566</u>	<u>1,770</u>
Accumulated depreciation:			
At 1 January 2001	81	177	258
Depreciation provided during the year	41	289	330
At 31 December 2001	<u>122</u>	<u>466</u>	<u>588</u>
Net book value:			
At 31 December 2001	<u>82</u>	<u>1,100</u>	<u>1,182</u>
At 31 December 2000	<u>123</u>	<u>1,232</u>	<u>1,355</u>

The net book value of the Company's motor vehicles at 31 December 2001 included an amount of HK\$793,000 (2000: HK\$1,232,000) in respect of assets held under finance leases.



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## 15. INTANGIBLE ASSETS

### Group

	<b>Production technology and knowhow</b> <i>HK\$'000</i>
Cost:	
At 1 January 2001	27,168
Exchange realignment	372
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At 31 December 2001	27,540
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Accumulated amortisation:	
At 1 January 2001	9,509
Provided during the year	1,377
Exchange realignment	130
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At 31 December 2001	11,016
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Net book value:	
At 31 December 2001	<u>16,524</u>
At 31 December 2000	<u>17,659</u>

## 16. INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Unlisted shares, at cost	69,321	69,312
Due from subsidiaries	428,775	435,184
	<hr/>	<hr/>
Provisions for impairment	498,096 (327,466)	504,496 (180,893)
	<hr/>	<hr/>
	<u>170,630</u>	<u>323,603</u>



## 16. INTERESTS IN SUBSIDIARIES (CONTINUED)

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. As at 31 December 2000, except for the amounts due from certain subsidiaries amounting to HK\$62,765,000 of which a substantial portion was not expected to be repaid in the foreseeable future, all the other balances with subsidiaries were unsecured, interest-free and had no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Issued/ registered and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
China Shaoxing Wine Holdings (Hong Kong) Limited	Hong Kong	HK\$5,000,000 ordinary shares	–	100	Trading of wines
Dong Feng Shao Xing Wine Co., Ltd. – <i>Note (ii)</i>	PRC	US\$19,980,000 registered capital	–	49 <i>Note (i)</i>	Production and trading of Shaoxing wines
Firststone Corporate Limited	Hong Kong	HK\$10,000 ordinary shares	–	100	Trading of wines and ostrich products
Firststone Enterprises Limited	British Virgin Islands	HK\$67,349,601 ordinary shares	100	–	Investment holding
Firststone Holdings Co. Limited	Hong Kong	HK\$300,000 ordinary shares	–	100	Property holding
First Top Development Limited	British Virgin Islands/ Hong Kong	US\$1 ordinary share	–	100	Trading of wines
Metrostar Hong Kong Limited	Hong Kong	HK\$10,000 ordinary shares	90	–	Provision of telecommunication service

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## 16. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Issued/ registered and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Multigerm (Shaoguan) Limited – Note (ii)	PRC	HK\$1,680,000 registered capital	–	70	Manufacturing and trading of multigerm
Oryx (H.K.) Limited	Hong Kong	HK\$2 ordinary shares	–	100	Trading
Ostrindo Enterprises Development (Shaoguan) Limited – Note (ii)	PRC	US\$996,000 registered capital	–	75	Ostrich farming

### Notes:

- (i) Pursuant to an agreement entered into between Firststone Food & Beverage Industry Company Limited (“FFB”), a wholly-owned subsidiary of the Company and the other joint venture partner of Dong Feng, the other joint venture partner agreed to vote unconditionally in favour of FFB in any future shareholders’ meetings of Dong Feng. Accordingly, Dong Feng is treated as a subsidiary of the Company.
- (ii) Not audited by Ernst & Young Hong Kong or Ernst & Young International member firms.

The above table lists the subsidiaries 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.

## 17. INTERESTS IN ASSOCIATES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	–	–
Amounts due from associates	52,044	51,959
Provision for impairment	(50,462)	(43,937)
	<u>1,582</u>	<u>8,022</u>



## 17. INTERESTS IN ASSOCIATES (CONTINUED)

The balances with associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, they will not be repayable within twelve months of the balance sheet date and accordingly, the amounts have been classified as non-current assets.

Particulars of the Group's associates are as follows:

Name of associate	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Shenzhen Capstone Food and Beverage Co., Ltd.	PRC	24.5	Inactive
Centra Intertraco Limited	Hong Kong	35	Investment holding
Shaoguan Quan Tong Industrial Ltd.	PRC	25	Inactive

During the year, the Group invested in 44% of the issued share capital of Veloso Game (Proprietary) Limited ("Veloso"), a company incorporated in South Africa, which is engaged in the ostrich abattoir business. Veloso is directly owned by Oryx Tanning, a subsidiary of the Company which is under provisional liquidation as at 31 December 2001. Accordingly, the operating results of Veloso is equity-accounted for in the profit and loss account of the Group up to 21 December 2001, the date when Oryx Tanning was put under provisional liquidation, further details of which are also set out in note 2 to the financial statements.

## 18. LONG TERM RECEIVABLES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Long term receivables	38,431	37,647	25,431	37,647
Portion classified under current assets	(17,000)	(14,216)	(9,000)	(14,216)
	<u>21,431</u>	<u>23,431</u>	<u>16,431</u>	<u>23,431</u>



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## 18. LONG TERM RECEIVABLES (CONTINUED)

The long term receivables represent the amounts due from Alpha Best Holdings Limited (“Alpha Best”) and a former subsidiary, Lixcon Limited and its subsidiaries (collectively referred to as “Lixcon Group”). The receivable due from Alpha Best represents sales proceeds receivable for the disposal of the Company’s subsidiaries, Sinatone Limited and Dongguan Meijiang Electronics Manufacturers Co., Ltd. (see note 24). The receivable due from Lixcon Group represents the funds advanced to and trading balances with Lixcon Group before their disposal in 1997. The Company has entered into agreements with Alpha Best and Lixcon Group pursuant to which Alpha Best and Lixcon Group have agreed to repay the outstanding amounts in future years according to agreed repayment schedules. The receivable balances which are not repayable within one year have been classified under non-current assets.

## 19. LONG TERM INVESTMENT

	Group and Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted equity investment, at cost	156,514	156,514
Provision for impairment	(154,700)	–
	<u>1,814</u>	<u>156,514</u>

The long term investment represents an unlisted investment of 11.14% equity interest in a company incorporated in the British Virgin Islands, that has a group of subsidiaries previously engaged in the internet and telecommunication business in Indonesia which ceased operations during the year and are currently dormant. The investment is stated at cost less impairment as at the balance sheet date.

## 20. DEPOSIT FOR INVESTMENT

The deposit for investment is paid for a proposed acquisition of the equity interest in an investment and is refundable if the transaction is not completed.

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## 21. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	39,140	51,556
Work in progress	21,825	30,590
Finished goods	161,962	183,649
Livestocks	–	40,531
	<u>222,927</u>	<u>306,326</u>

The carrying amount of inventories carried at net realisable value included in the above balance was HK\$339,000 (2000: Nil) as at the balance sheet date.

## 22. TRADE RECEIVABLES

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management. The analysis below shows aged trade receivables, net of provisions, based on the invoice date, which is when the goods are delivered and services are rendered.

	Group	
	2001 HK\$'000	2000 HK\$'000
Current to 3 months	11,687	33,161
3 to 6 months	2,983	3,507
Over 6 months	581	869
	<u>15,251</u>	<u>37,537</u>

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## 23. SUBSIDIARIES UNDER LIQUIDATION

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	71,166	–
Due from subsidiaries	69,624	–
	140,790	–
Less: Impairment of subsidiaries under liquidation (note 11)	(71,166)	–
Provision against amounts due from subsidiaries (note 11)	(69,624)	–
	–	–
Net carrying value at end of the year	–	–

Particulars of the subsidiaries under liquidation are as follows:

Name	Place of incorporation and operations	Issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kenwell Cape Farm (Proprietary) Ltd.	South Africa	Rand 1 ordinary share	–	100	Ostrich farming
Kenwell Farm (Proprietary) Ltd.	South Africa	Rand 1 ordinary share	–	100	Ostrich farming
Oryx Abattoir Property (Proprietary) Limited	South Africa	Rand 1,000 ordinary shares	–	100	Property holding
Oryx Tanning Company (Proprietary) Limited	South Africa	Rand 200 ordinary shares	–	100	Processing and trading of ostrich leather and meat





## 23. SUBSIDIARIES UNDER LIQUIDATION (CONTINUED)

As more fully explained in note 2 to the financial statements, liquidators have taken over the control of the South African Subsidiaries. Accordingly, the business assets and liabilities of the South African Subsidiaries are reflected on a net basis in the financial statements. The consolidated balance sheet does not incorporate the individual assets and liabilities of the South African Subsidiaries and only discloses the carrying value, less provisions for impairment, as a single asset described as “subsidiaries under liquidation”.

The turnover and operating results of the South African Subsidiaries have been classified as “discontinued operations”, details of which have been disclosed in note 11 to the financial statements.

In respect of the cash flows for the year ended 31 December 2001, the subsidiaries under liquidation contributed HK\$25 million and HK\$3 million cash outflow to the Group’s net operating cash flows and net returns on investments and servicing of finance, respectively, and contributed HK\$8 million cash inflow to the Group’s investing activities. The subsidiaries under liquidation had no significant impact in respect of the Group’s cash flows for financing activities and tax.

The net assets of the subsidiaries under liquidation at 31 December 2001 are summarised as follows:

	<b>2001</b> <i>HK\$’000</i>
Property, plant and equipment	23,562
Interest in an associate	1,546
Inventories	36,495
Trade receivables	14,243
Prepayments, deposits and other receivables	39,415
Cash and bank balances	60
Attributable goodwill	23,711
Trade payables	(1,070)
Accrued liabilities and other payables	(15,906)
Bank overdrafts	(23,279)
Finance lease payables	(707)
Other loans	(2,190)
Tax payable	(816)
Attributable exchange reserve	45,726
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	140,790
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Net inflow of cash and cash equivalents in respect of subsidiaries under liquidation	23,219
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# Notes to Financial Statements

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## 24. SUBSIDIARIES HELD FOR DISPOSAL

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of deficiency in assets	–	(9,784)
Due from subsidiaries	–	69,100
	–	59,316
Less: Provision (note 11)	–	(24,316)
Net carrying value at end of the year	–	35,000

Particulars of the subsidiaries held for disposal are as follows:

Name	Place of incorporation/ registration and operations	Issued/ registered and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Sinatone Limited ("Sinatone")	Hong Kong	HK\$5,000,000 ordinary shares	–	51	Investment holding
Dongguan Meijiang Electronics Manufacturers Co., Ltd. ("Meijiang")	PRC	RMB74,800,000 registered capital	–	51	Inactive

In January 2000, the Group signed a letter of intent with the minority shareholder of Sinatone to dispose of its 51% equity interest in Sinatone. The disposal was completed upon the signing of the final sale and purchase agreement during the current year. The subsidiary group was previously engaged in the manufacturing and trading of electronic components, which were discontinued by the Group in previous years. As a result of the proposed disposal, the third party took over the control of the subsidiary group in January 2000. Accordingly, the directors are of the opinion that



## 24. SUBSIDIARIES HELD FOR DISPOSAL (CONTINUED)

it is more appropriate to reflect the released business assets and liabilities of the subsidiaries to be disposed of on a net basis in the financial statements for the year ended 31 December 2000. The consolidated balance sheet as at 31 December 2000 did not incorporate the individual assets and liabilities of the unconsolidated subsidiaries and only disclosed the carrying value, less provisions as deemed necessary by the directors, as a single asset described as "subsidiaries held for disposal". The consolidated profit and loss account for that year included the operating results of the subsidiary group held for disposal up to the date of signing the letter of intent for disposal. The net carrying value of the subsidiaries proposed for disposal was stated at the realisable value which was recovered by the Group upon the disposal.

The subsidiaries held for disposal did not incur any operating loss for the years ended 31 December 2001 and 2000.

The net assets of the subsidiaries held for disposal at 31 December 2000 are summarised as follows:

	<b>2000</b> <i>HK\$'000</i>
Property, plant and equipment	57,570
Prepayments, deposits and other receivables	580
Attributable goodwill	3,275
Accrued liabilities and other payables	(325)
Other loans	(1,400)
Tax payable	(114)
Attributable exchange reserve	(270)
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	<u>59,316</u>



# Notes to Financial Statements

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## 25. TRADE PAYABLES

The analysis below shows aged trade payables based on the date of the goods purchased and services rendered:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current to 3 months	17,191	27,978
3 to 6 months	132	426
Over 6 months	1,861	145
	<u>19,184</u>	<u>28,549</u>

## 26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank overdrafts	5,463	44,203
Bank loans	158,530	185,521
Other loans	–	1,045
Trust receipt loans	4,404	5,922
	<u>168,397</u>	<u>236,691</u>
Analysed as:		
Secured	1,447	111,545
Unsecured	166,950	125,146
	<u>168,397</u>	<u>236,691</u>
Interest-bearing bank and other loans are repayable as follows:		
Within one year or on demand	168,397	232,328
In the second year	–	4,363
	<u>168,397</u>	<u>236,691</u>
Portion classified as current liabilities	(168,397)	(232,328)
Long term portion	<u>–</u>	<u>4,363</u>



## 26. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Certain of the Group's bank loans and overdrafts are secured by:

- (i) certain land and buildings, and machinery and equipment of subsidiaries which had an aggregate carrying value at the balance sheet date of approximately HK\$9,000,000 (2000: HK\$83,639,000); and
- (ii) a guarantee granted by a minority shareholder of a subsidiary.

## 27. FINANCE LEASE PAYABLES

The Group leases certain of its property, plant and equipment for its operations. These leases are classified as finance leases and have remaining lease terms ranging from one to two years.

At 31 December 2001, the total future minimum lease payments under finance leases and their present values were as follows:

### Group

	<b>Minimum lease payments 2001 HK\$'000</b>	<b>Minimum lease payments 2000 HK\$'000</b>	<b>Present value of minimum lease payments 2001 HK\$'000</b>	<b>Present value of minimum lease payments 2000 HK\$'000</b>
Amounts payable:				
Within one year	320	2,800	296	2,212
In the second year	53	2,767	53	2,345
In the third to fifth years, inclusive	–	160	–	158
Total minimum finance lease payments	<u>373</u>	<u>5,727</u>	<u>349</u>	<u>4,715</u>
Future finance charges	(24)	(1,012)		
Total net finance lease payables	<u>349</u>	<u>4,715</u>		
Portion classified as current liabilities	(296)	(2,212)		
Long term portion	<u>53</u>	<u>2,503</u>		