

# Notes to Financial Statements

31 March 2002

## 1. CORPORATE INFORMATION

The registered office of the Company is the office of Caledonian Bank & Trust Limited, Caledonian House, 69 Dr. Roy's Drive, 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. 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"
- 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"

# Notes to Financial Statements

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

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 those SSAPs and Interpretations which have had a significant effect on the financial statements 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 proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 12 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, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 29 to the financial statements.

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 4 to the financial statements.

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

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 3 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 resulted in a prior year adjustment, further details of which are included in note 15 to the financial statements. The required new additional disclosures are included in notes 15 and 26 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.

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

## 3. 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.

# Notes to Financial Statements

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

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's investments in subsidiaries are stated at cost less any impairment losses.

### **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 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.

### **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.

# Notes to Financial Statements

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

### **Goodwill (continued)**

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 April 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.

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.

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

### Negative goodwill (continued)

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 consolidated reserves 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 April 2001, to remain credited to the consolidated reserves. 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 consolidated reserves 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.

# Notes to Financial Statements

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## 3. 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.

### **Fixed assets and depreciation**

Fixed assets are stated at cost or valuation 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 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.

# Notes to Financial Statements

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

### Fixed assets and depreciation (continued)

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. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

### 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.



# Notes to Financial Statements

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

### **Long term investments** (continued)

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.

### **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.

# Notes to Financial Statements

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

### 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.

# Notes to Financial Statements

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

### Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The MPF Scheme has operated since 1 December 2000. 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 MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF 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 MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the “prior scheme”) for those employees who were eligible to participate in this scheme. This prior scheme operated in a similar way to the MPF Scheme, except that when an employee left the prior scheme before his/her interest in the Group’s employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer contributions. With effect from 1 December 2000, the prior scheme was terminated.

### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

# Notes to Financial Statements

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

### Dividends (continued)

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised), have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in note 12 to the financial statements.

### 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) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) dividend income, 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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## 4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

In determining the Group's geographical segments, revenues and results are attributed to the segment based on the location of the customers, and assets are attributed to the segment based on the location of the assets. Summary details of the geographical segments are as follows:

- the Hong Kong segment is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, ham and ham-related products and the retailing of snack foods, confectionery and beverages; and
- the segment comprising elsewhere in the People's Republic of China (the "PRC") is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, ham and ham-related products.

In determining the Group's business segments, revenue and results are attributed to the segments based on the nature of their operations.

Intersegment sales are transacted with reference to the prevailing market rates.

# Notes to Financial Statements

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## 4. SEGMENT INFORMATION (continued)

### (a) Geographical segments

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

| Group  | Hong Kong      |                | Elsewhere<br>in the PRC |                | Eliminations    |                 | Consolidated     |                  |
|--|----------------|----------------|-------------------------|----------------|-----------------|-----------------|------------------|------------------|
|  | 2002           | 2001           | 2002                    | 2001           | 2002            | 2001            | 2002             | 2001             |
|  | HK\$'000       | HK\$'000       | HK\$'000                | HK\$'000       | HK\$'000        | HK\$'000        | HK\$'000         | HK\$'000         |
| Segment revenue:   |                |                |                         |                |                 |                 |                  |                  |
| Sales to external customers                                      | 955,263        | 920,313        | 220,865                 | 204,520        | -               | -               | 1,176,128        | 1,124,833        |
| Intersegment sales   | 190            | 7,728          | 37,590                  | 24,004         | (37,780)        | (31,732)        | -                | -                |
| Other revenue  | 3,079          | 3,467          | 211                     | 227            | (1,659)         | (1,390)         | 1,631            | 2,304            |
| Total revenue  | <u>958,532</u> | <u>931,508</u> | <u>258,666</u>          | <u>228,751</u> | <u>(39,439)</u> | <u>(33,122)</u> | <u>1,177,759</u> | <u>1,127,137</u> |
| Segment results  | <u>87,016</u>  | <u>83,545</u>  | <u>5,763</u>            | <u>4,958</u>   | <u>-</u>        | <u>-</u>        | <u>92,779</u>    | <u>88,503</u>    |
| Interest and dividend income                                     |                |                |                         |                |                 |                 | 5,262            | 5,339            |
| Unallocated expenses   |                |                |                         |                |                 |                 | (6,960)          | (7,972)          |
| Profit from operating activities                                 |                |                |                         |                |                 |                 | 91,081           | 85,870           |
| Finance costs  |                |                |                         |                |                 |                 | (6,647)          | (12,868)         |
| Share of profits less losses of associates                       | <u>7,987</u>   | <u>12,421</u>  | <u>780</u>              | <u>(6,201)</u> | <u>-</u>        | <u>-</u>        | <u>8,767</u>     | <u>6,220</u>     |
| Profit before tax  |                |                |                         |                |                 |                 | 93,201           | 79,222           |
| Tax  |                |                |                         |                |                 |                 | (14,305)         | (13,631)         |
| Profit before minority interests                                 |                |                |                         |                |                 |                 | 78,896           | 65,591           |
| Minority interests   |                |                |                         |                |                 |                 | 1,261            | 1,899            |
| Net profit from ordinary activities attributable to shareholders |                |                |                         |                |                 |                 | <u>80,157</u>    | <u>67,490</u>    |

# Notes to Financial Statements

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## 4. SEGMENT INFORMATION (continued)

### (a) Geographical segments (continued)

| Group  | Hong Kong      |                | Elsewhere<br>in the PRC |                | Consolidated   |                |
|--|----------------|----------------|-------------------------|----------------|----------------|----------------|
|  | 2002           | 2001           | 2002                    | 2001           | 2002           | 2001           |
|  | HK\$'000       | HK\$'000       | HK\$'000                | HK\$'000       | HK\$'000       | HK\$'000       |
| Segment assets   | 610,397        | 585,046        | 144,125                 | 129,916        | 754,522        | 714,962        |
| Interests in associates                                      | 74,463         | 72,652         | 49,484                  | 48,666         | 123,947        | 121,318        |
| Total assets   | <u>684,860</u> | <u>657,698</u> | <u>193,609</u>          | <u>178,582</u> | <u>878,469</u> | <u>836,280</u> |
| Segment liabilities  | 83,903         | 79,230         | 22,631                  | 23,462         | 106,534        | 102,692        |
| Unallocated liabilities                                      |                |                |                         |                | 247,532        | 277,547        |
| Total liabilities  | <u>83,903</u>  | <u>79,230</u>  | <u>22,631</u>           | <u>23,462</u>  | <u>354,066</u> | <u>380,239</u> |
| Other segment information:                                   |                |                |                         |                |                |                |
| Capital expenditure  | 6,233          | 5,851          | 747                     | 437            | 6,980          | 6,288          |
| Depreciation   | 11,561         | 12,981         | 5,261                   | 4,523          | 16,822         | 17,504         |
| Negative goodwill<br>recognised as income<br>during the year | <u>-</u>       | <u>-</u>       | <u>50</u>               | <u>-</u>       | <u>50</u>      | <u>-</u>       |

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## 4. SEGMENT INFORMATION (continued)

### (b) Business segments

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

| Group                          | Manufacturing<br>and wholesaling |                | Retailing      |                | Consolidated     |                  |
|--------------------------------|----------------------------------|----------------|----------------|----------------|------------------|------------------|
|                                | 2002                             | 2001           | 2002           | 2001           | 2002             | 2001             |
|                                | HK\$'000                         | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000         | HK\$'000         |
| <hr/>                          |                                  |                |                |                |                  |                  |
| Segment revenue:               |                                  |                |                |                |                  |                  |
| Sales to external customers    | <u>1,030,631</u>                 | <u>971,522</u> | <u>145,497</u> | <u>153,311</u> | <u>1,176,128</u> | <u>1,124,833</u> |
| Segment results                | <u>86,364</u>                    | <u>84,017</u>  | <u>6,415</u>   | <u>4,486</u>   | <u>92,779</u>    | <u>88,503</u>    |
| <br>Other segment information: |                                  |                |                |                |                  |                  |
| Segment assets                 | <u>727,766</u>                   | <u>690,034</u> | <u>26,756</u>  | <u>24,928</u>  | <u>754,522</u>   | <u>714,962</u>   |
| Capital expenditure            | <u>3,341</u>                     | <u>5,467</u>   | <u>3,639</u>   | <u>821</u>     | <u>6,980</u>     | <u>6,288</u>     |



# Notes to Financial Statements

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## 5. TURNOVER AND REVENUE

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

|   | <b>Group</b>     |                 |
|---|------------------|-----------------|
|   | <b>2002</b>      | <b>2001</b>     |
|   | <b>HK\$'000</b>  | <b>HK\$'000</b> |
| Turnover  | <b>1,176,128</b> | 1,124,833       |
| Other revenue:  |                  |                 |
| Interest income   | <b>4,074</b>     | 3,716           |
| Dividend income from listed investments                   | <b>1,188</b>     | 1,623           |
| Rental income   | <b>492</b>       | 496             |
| Commission income   | <b>186</b>       | 448             |
| Negative goodwill recognised as income<br>during the year | <b>50</b>        | —               |
| Others  | <b>903</b>       | 1,360           |
|   | <b>6,893</b>     | 7,643           |
| Revenue   | <b>1,183,021</b> | 1,132,476       |

# Notes to Financial Statements

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## 6. PROFIT FROM OPERATING ACTIVITIES

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

|   | <b>Group</b>    |                 |
|---|-----------------|-----------------|
|   | <b>2002</b>     | <b>2001</b>     |
|   | <b>HK\$'000</b> | <b>HK\$'000</b> |
| Depreciation  | <b>16,822</b>   | 17,504          |
| Minimum lease payments under operating leases<br>in respect of land and buildings | <b>39,398</b>   | 46,072          |
| Auditors' remuneration  | <b>925</b>      | 1,009           |
| Staff costs (excluding directors' remuneration – note 8)                          |                 |                 |
| Wages and salaries  | <b>118,564</b>  | 113,709         |
| Pension contributions   | <b>5,643</b>    | 2,632           |
| Less: Forfeited contributions   | <b>(119)</b>    | (37)            |
| Net pension contributions*  | <b>5,524</b>    | 2,595           |
| Total staff costs   | <b>124,088</b>  | 116,304         |
| Loss on disposal of fixed assets  | <b>561</b>      | 1,104           |
| Negative goodwill recognised as income<br>during the year**                       | <b>(50)</b>     | –               |
| Exchange gains, net   | <b>(12,719)</b> | (18,126)        |

\* At 31 March 2002, the Group had forfeited contributions amounting to HK\$20,000 (2001: HK\$3,000) available to reduce its contributions to the pension scheme in future years.

\*\* The movement in negative goodwill recognised in the profit and loss account for the year is included in "Other revenue" on the face of the profit and loss account.

# Notes to Financial Statements

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## 7. FINANCE COSTS

|   | Group        |               |
|---|--------------|---------------|
|   | 2002         | 2001          |
|   | HK\$'000     | HK\$'000      |
| Interest on bank and trust receipt loans wholly repayable within five years | <u>6,647</u> | <u>12,868</u> |

## 8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

|   | Group        |              |
|---|--------------|--------------|
|   | 2002         | 2001         |
|   | HK\$'000     | HK\$'000     |
| Fees:                                     |              |              |
| Executive directors                       | –            | 5,914        |
| Non-executive directors                   | –            | –            |
| Independent non-executive directors       | –            | –            |
|   | <u>–</u>     | <u>5,914</u> |
| Other emoluments of executive directors:  |              |              |
| Salaries, allowances and benefits in kind | 5,341        | –            |
| Pension contributions                     | <u>165</u>   | <u>55</u>    |
|   | <u>5,506</u> | <u>55</u>    |
|   | <u>5,506</u> | <u>5,969</u> |

# Notes to Financial Statements

31 March 2002

## 8. DIRECTORS' REMUNERATION (continued)

The number of directors whose remuneration fell within the following bands is as follows:

|                               | Number of directors |                 |
|-------------------------------|---------------------|-----------------|
|                               | 2002                | 2001            |
| 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                   | 1               |
|                               | <u>9</u>            | <u>9</u>        |
|                               | <u><u>9</u></u>     | <u><u>9</u></u> |

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

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included two directors (2001: two), details of whose remuneration are set out above. The remuneration of each of the remaining three (2001: three) non-director, highest paid individuals is set out below:

|   | Group               |                     |
|---|---------------------|---------------------|
|   | 2002<br>HK\$'000    | 2001<br>HK\$'000    |
| Salaries, allowances and benefits in kind | 2,512               | 2,079               |
| Pension contributions                     | 153                 | 47                  |
|   | <u>2,665</u>        | <u>2,126</u>        |
|   | <u><u>2,665</u></u> | <u><u>2,126</u></u> |

# Notes to Financial Statements

31 March 2002

## 9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

|                               | Number of employees |          |
|-------------------------------|---------------------|----------|
|                               | 2002                | 2001     |
| Nil – HK\$1,000,000           | 2                   | 3        |
| HK\$1,000,001 – HK\$1,500,000 | 1                   | –        |
|                               | <u>3</u>            | <u>3</u> |

# Notes to Financial Statements

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## 10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 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>2002</b>     | <b>2001</b>     |
|                                      | <b>HK\$'000</b> | <b>HK\$'000</b> |
| Group:                               |                 |                 |
| Hong Kong                            |                 |                 |
| Provision for the year               | <b>12,798</b>   | 11,225          |
| Under/(over)provision in prior years | <b>200</b>      | (61)            |
| Deferred tax credit – note 24        | <b>–</b>        | (247)           |
|                                      | <b>12,998</b>   | 10,917          |
| Overseas                             | <b>320</b>      | 986             |
|                                      | <b>13,318</b>   | 11,903          |
| Associates:                          |                 |                 |
| Hong Kong                            | <b>987</b>      | 1,728           |
| Tax charge for the year              | <b>14,305</b>   | 13,631          |

## 11. 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\$26,220,000 (2001: HK\$18,722,000) and the Group's share of aggregate profits less losses retained by the associates for the year amounted to HK\$2,580,000 (2001: HK\$2,768,000).

# Notes to Financial Statements

31 March 2002

## 12. DIVIDENDS

|  | Group         |                | Company       |                |
|--|---------------|----------------|---------------|----------------|
|  | 2002          | 2001           | 2002          | 2001           |
|  | HK\$'000      | HK\$'000       | HK\$'000      | HK\$'000       |
| Interim dividend of HK2.0 cents<br>(2001: HK1.6 cents) per<br>ordinary share                   | 7,991         | 6,393          | 7,991         | 6,393          |
| Proposed final dividend of HK4.6<br>cents (2001: HK3.0 cents) per<br>ordinary share            | 18,380        | 11,987         | 18,380        | 11,987         |
| Dividend in specie of shares<br>of interest in<br>Four Seas eFood Holdings<br>Limited ("FSFH") | —             | 112,280        | —             | 84,445         |
|  | <u>26,371</u> | <u>130,660</u> | <u>26,371</u> | <u>102,825</u> |

In the prior 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 the 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.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

# Notes to Financial Statements

31 March 2002

## 12. DIVIDENDS (continued)

During the year, the Group adopted the revised SSAP 9 “Events after the balance sheet date”, as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 March 2001 of HK\$11,987,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group’s and the Company’s current liabilities and increase the reserves previously reported as at 31 March 2001, by HK\$11,987,000.

The effect of this change in accounting policy as at 31 March 2002, is that the current year’s proposed final dividend of HK\$18,380,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

## 13. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit attributable to shareholders for the year of HK\$80,157,000 (2001: HK\$67,490,000) and on the 399,565,640 shares (2001: weighted average number of 385,548,856 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 2001 and 2002.



# Notes to Financial Statements

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## 14. FIXED ASSETS

| Group                       | Land use<br>rights<br>HK\$'000 | Leasehold<br>land and<br>buildings<br>HK\$'000 | Leasehold<br>improve-<br>ments<br>HK\$'000 | Furniture,<br>fixtures<br>and<br>equipment<br>HK\$'000 | Plant<br>and<br>machinery<br>HK\$'000 | Motor<br>vehicles<br>and vessel<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------|--------------------------------|--|--|--|---------------------------------------|---|-------------------|
| Cost or valuation:          |                                |  |  |  |                                       |   |                   |
| At beginning of year        | 13,733                         | 113,036  | 17,207                                     | 32,774   | 50,668                                | 20,643                                      | 248,061           |
| Additions                   | –                              | –  | 2,928                                      | 2,094  | 798                                   | 1,160                                       | 6,980             |
| Acquisition of a subsidiary | 2,463                          | 5,272  | –  | 60   | 9,578                                 | 112   | 17,485            |
| Disposals                   | –                              | –  | (4,436)                                    | (628)  | (2,793)                               | (351)                                       | (8,208)           |
| At 31 March 2002            | <u>16,196</u>                  | <u>118,308</u>                                 | <u>15,699</u>                              | <u>34,300</u>  | <u>58,251</u>                         | <u>21,564</u>                               | <u>264,318</u>    |
| At cost                     | 16,196                         | 33,308   | 15,699                                     | 34,300   | 58,251                                | 21,564                                      | 179,318           |
| At 1994 valuation           | –                              | 85,000   | –  | –  | –                                     | –   | 85,000            |
|                             | <u>16,196</u>                  | <u>118,308</u>                                 | <u>15,699</u>                              | <u>34,300</u>  | <u>58,251</u>                         | <u>21,564</u>                               | <u>264,318</u>    |
| Accumulated depreciation:   |                                |  |  |  |                                       |   |                   |
| At beginning of year        | 777                            | 14,864   | 7,790                                      | 26,329   | 22,009                                | 17,473                                      | 89,242            |
| Provided during the year    | 315                            | 2,910  | 3,924                                      | 2,986  | 5,440                                 | 1,247                                       | 16,822            |
| Disposals                   | –                              | –  | (3,920)                                    | (561)  | (2,784)                               | (351)                                       | (7,616)           |
| At 31 March 2002            | <u>1,092</u>                   | <u>17,774</u>                                  | <u>7,794</u>                               | <u>28,754</u>  | <u>24,665</u>                         | <u>18,369</u>                               | <u>98,448</u>     |
| Net book value:             |                                |  |  |  |                                       |   |                   |
| At 31 March 2002            | <u>15,104</u>                  | <u>100,534</u>                                 | <u>7,905</u>                               | <u>5,546</u>   | <u>33,586</u>                         | <u>3,195</u>                                | <u>165,870</u>    |
| 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>    |

# Notes to Financial Statements

31 March 2002

## 14. FIXED ASSETS (continued)

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

|                            | At cost<br>HK\$'000 | At valuation<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------|---------------------|--------------------------|-------------------|
| Hong Kong                  | 17,900              | 85,000                   | 102,900           |
| People's Republic of China | 15,408              | —                        | 15,408            |
|                            | <u>33,308</u>       | <u>85,000</u>            | <u>118,308</u>    |

The land use rights relate to two pieces of land situated in the People's Republic of China which 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\$72,508,000 (2001: HK\$69,521,000).

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 at that date stated at revalued amounts based on revaluations which were reflected in prior years' financial statements.

# Notes to Financial Statements

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## 15. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amount of the negative goodwill recognised in the balance sheet, arising from the acquisition of a subsidiary, is as follows:

| Group   | Negative goodwill<br>HK\$'000 |
|---|-------------------------------|
| Cost:   |                               |
| Acquisition of a subsidiary during the year and<br>balance at 31 March 2002 | 1,005                         |
| Accumulated recognition as income:  |                               |
| Recognised as income during the year and<br>balance at 31 March 2002        | (50)                          |
| Net book value:   |                               |
| At 31 March 2002  | 955                           |

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain eliminated against or credited to consolidated reserves.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provision of SSAP 30. In adjusting the prior year's figures, retained profits as at 1 April 2000 were restated and decreased by HK\$2,638,000 and the revaluation reserve and goodwill reserve increased by HK\$2,135,000 and HK\$503,000, respectively, as at 1 April 2000, representing the goodwill written off to the prior years' consolidated profit and loss account. This prior year adjustment has no impact on the profit and loss account for the years ended 31 March 2001 and 2002.

# Notes to Financial Statements

31 March 2002

## 15. GOODWILL AND NEGATIVE GOODWILL (continued)

The amounts of the goodwill and negative goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries and associates prior to 1 April 2001, are as follows:

| Group  | Goodwill<br>eliminated<br>against<br>revaluation<br>reserve<br>HK\$'000 | Goodwill<br>eliminated<br>against<br>goodwill<br>reserve<br>HK\$'000 | Negative<br>goodwill<br>credited to<br>goodwill<br>reserve<br>HK\$'000 |
|--|---|--|--|
| Cost:  |   |  |  |
| At beginning of year and<br>end of year                        | 3,625   | 143,236  | (4,577)  |
| Accumulated impairment:  |   |  |  |
| At beginning of year and end of<br>year as previously reported | —   | —  | —  |
| Prior year adjustment  | (2,135)   | (503)  | —  |
| As restated  | (2,135)   | (503)  | —  |
| Net amount:  |   |  |  |
| At 31 March 2002   | 1,490   | 142,733  | (4,577)  |
| At 31 March 2001   | 1,490   | 142,733  | (4,577)  |

# Notes to Financial Statements

31 March 2002

## 16. INVESTMENTS IN SUBSIDIARIES

|                          | Company       |               |
|--------------------------|---------------|---------------|
|                          | 2002          | 2001          |
|                          | HK\$'000      | HK\$'000      |
| Unlisted shares, at cost | <u>53,819</u> | <u>53,819</u> |

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

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

| Name                                | Place of incorporation/<br>registration<br>and operations | Issued/<br>registered<br>and<br>fully paid-up<br>capital | Percentage<br>of equity<br>attributable<br>to the Company |          | Principal<br>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 foods         |
| 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               |

# Notes to Financial Statements

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## 16. INVESTMENTS IN SUBSIDIARIES (continued)

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

# Notes to Financial Statements

31 March 2002

## 16. INVESTMENTS IN SUBSIDIARIES (continued)

| Name   | Place of incorporation/<br>registration<br>and operations | Issued/<br>registered<br>and<br>fully paid-up<br>capital | Percentage<br>of equity<br>attributable<br>to the Company |          | Principal<br>activities   |
|--|---|--|---|----------|---|
|  |   |  | Direct  | Indirect |   |
| Four Seas Trading<br>(Shanghai) Company<br>Limited*                          | People's<br>Republic<br>of China                          | US\$200,000  | –   | 100.0    | Trading of<br>confectionery<br>and food<br>products                   |
| Guangdong Four Seas –<br>Yantang Frozen Food<br>Products Company<br>Limited* | People's<br>Republic<br>of China                          | RMB6,300,000   | –   | 51.0     | Operator of<br>ice-cream<br>and frozen<br>food products               |
| Hakadate Investments Limited   | British<br>Virgin Islands                                 | US\$1  | –   | 100.0    | Investment<br>holding   |
| Hong Kong Ham Holdings<br>Limited  | Hong Kong   | HK\$20   | –   | 100.0    | Manufacturing<br>and packaging<br>of ham and ham-<br>related products |
| Hong Kong Biscuit<br>(International) Limited*                                | Hong Kong   | HK\$25,000,000   | –   | 88.0     | Investment<br>holding   |
| Homeright Properties<br>Limited  | British Virgin<br>Islands                                 | US\$1  | –   | 100.0    | Holding of<br>trademarks  |
| J.P. Inglis Company Limited  | Hong Kong   | HK\$1,000,000  | –   | 100.0    | Trading in<br>food materials  |
| Li Fook (Qingdao)<br>Foods Co., Ltd.*  | People's<br>Republic<br>of China                          | US\$2,800,000  | –   | 51.0     | Manufacturing<br>of noodles   |

# Notes to Financial Statements

31 March 2002

## 16. INVESTMENTS IN SUBSIDIARIES (continued)

| Name   | Place of incorporation/<br>registration<br>and operations | Issued/<br>registered<br>and<br>fully paid-up<br>capital | Percentage<br>of equity<br>attributable<br>to the Company |          | Principal<br>activities                                     |
|--|---|--|---|----------|---|
|  |   |  | Direct  | Indirect |   |
| 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                                |
| 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  |

\* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

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

During the year, the Group acquired a 51% equity interest in Li Fook (Qingdao) Foods Co., Ltd. Further details of this acquisition are included in note 27(c) to the financial statements.

The above table lists the subsidiaries of the Company as at 31 March 2002 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.



# Notes to Financial Statements

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## 17. INTERESTS IN ASSOCIATES

|                     | <b>Group</b>    |                 |
|---------------------|-----------------|-----------------|
|                     | <b>2002</b>     | 2001            |
|                     | <b>HK\$'000</b> | <b>HK\$'000</b> |
| Share of net assets | <b>123,947</b>  | 121,318         |

The amounts due from the associates of HK\$1,610,000 (2001: HK\$1,347,000) included in the Group's current assets are unsecured, interest-free and have no fixed terms of repayment.

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

| <b>Name</b>   | <b>Business structure</b> | <b>Place of incorporation/<br/>registration<br/>and operations</b> | <b>Percentage of equity<br/>attributable<br/>to the Group</b> | <b>Principal activities</b>                    |
|---|---------------------------|--|---|--|
| 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 foods                      |
| 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 Foods Company Limited (iii)                   | Corporate                 | Hong Kong  | 30.0  | Investment holding                             |

# Notes to Financial Statements

31 March 2002

## 17. INTERESTS IN ASSOCIATES (continued)

| Name   | Business structure | Place of incorporation/<br>registration<br>and operations | Percentage of equity<br>attributable<br>to the Group | Principal activities                     |
|--|--------------------|---|--|--|
| 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                       |
| 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 |

# Notes to Financial Statements

31 March 2002

## 17. INTERESTS IN ASSOCIATES (continued)

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

- (i) Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.
- (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

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## 18. LONG TERM INVESTMENTS

|                       | Group         |               | Company    |           |
|-----------------------|---------------|---------------|------------|-----------|
|                       | 2002          | 2001          | 2002       | 2001      |
|                       | HK\$'000      | HK\$'000      | HK\$'000   | HK\$'000  |
| Listed investments,   |               |               |            |           |
| at market value:      |               |               |            |           |
| Hong Kong             | 20,754        | 20,308        | 107        | 84        |
| Elsewhere             | 3,102         | 1,638         | —          | —         |
|                       | <u>23,856</u> | <u>21,946</u> | <u>107</u> | <u>84</u> |
| Unlisted investments, |               |               |            |           |
| at fair value         | 356           | 356           | —          | —         |
|                       | <u>24,212</u> | <u>22,302</u> | <u>107</u> | <u>84</u> |

## 19. INVENTORIES

|                  | Group         |               |
|------------------|---------------|---------------|
|                  | 2002          | 2001          |
|                  | HK\$'000      | HK\$'000      |
| Raw materials    | 14,422        | 14,965        |
| Work in progress | 917           | 676           |
| Finished goods   | 64,677        | 66,921        |
|                  | <u>80,016</u> | <u>82,562</u> |

# Notes to Financial Statements

31 March 2002

## 20. TRADE RECEIVABLES

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

|                   | Group          |                |
|-------------------|----------------|----------------|
|                   | 2002           | 2001           |
|                   | HK\$'000       | HK\$'000       |
| Current – 1 month | 83,536         | 70,944         |
| 1 – 2 months      | 61,154         | 48,868         |
| 2 – 3 months      | 51,937         | 54,658         |
| Over 3 months     | 74,577         | 105,081        |
|                   | <u>271,204</u> | <u>279,551</u> |

Included in the Group's trade receivables are amounts due from the Group's associates of HK\$513,000 (2001: HK\$3,094,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

## 21. CASH AND CASH EQUIVALENTS

|                        | Group          |                | Company    |            |
|------------------------|----------------|----------------|------------|------------|
|                        | 2002           | 2001           | 2002       | 2001       |
|                        | HK\$'000       | HK\$'000       | HK\$'000   | HK\$'000   |
| Cash and bank balances | 65,111         | 44,640         | 256        | 437        |
| Time deposits          | 113,913        | 99,759         | –          | –          |
|                        | <u>179,024</u> | <u>144,399</u> | <u>256</u> | <u>437</u> |

# Notes to Financial Statements

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## 22. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities is a trade payables balance of HK\$59,967,000 (2001: HK\$64,680,000). An ageing analysis of trade payables is as follows:

|                   | Group         |               |
|-------------------|---------------|---------------|
|                   | 2002          | 2001          |
|                   | HK\$'000      | HK\$'000      |
| Current – 1 month | 42,544        | 47,679        |
| 1 – 2 months      | 8,732         | 10,461        |
| 2 – 3 months      | 3,156         | 3,854         |
| Over 3 months     | 5,535         | 2,686         |
|                   | <u>59,967</u> | <u>64,680</u> |

Included in trade payables are trade payables of HK\$23,392,000 (2001: HK\$15,109,000) due to associates, which are repayable on similar credit terms to those offered by the major suppliers of the Group.

# Notes to Financial Statements

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## 23. INTEREST-BEARING BANK BORROWINGS

|                                | Group          |                |
|--------------------------------|----------------|----------------|
|                                | 2002           | 2001           |
|                                | HK\$'000       | HK\$'000       |
| Trust receipt loans, unsecured | 83,077         | 77,258         |
| Bank loans, unsecured          | 162,397        | 194,485        |
|                                | <u>245,474</u> | <u>271,743</u> |

The maturity of the above bank borrowings is as follows:

|  |                  |                  |
|--|------------------|------------------|
| Bank loans and trust receipt loans repayable |                  |                  |
| within one year                              | 245,474          | 264,243          |
| Bank loans repayable in the second year      | –                | 7,500            |
|  | <u>245,474</u>   | <u>271,743</u>   |
| Portion classified as current liabilities    | <u>(245,474)</u> | <u>(264,243)</u> |
| Long term portion                            | <u>–</u>         | <u>7,500</u>     |

## 24. DEFERRED TAX

|  | Group        |              |
|--|--------------|--------------|
|  | 2002         | 2001         |
|  | HK\$'000     | HK\$'000     |
| Balance at beginning of year           | 1,360        | 1,585        |
| Arising on acquisition of a subsidiary | –            | 22           |
| Credit for the year – note 10          | –            | (247)        |
| Balance at end of year                 | <u>1,360</u> | <u>1,360</u> |

# Notes to Financial Statements

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## 24. DEFERRED TAX (continued)

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

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.

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

## 25. SHARE CAPITAL

| Shares   | Company        |                |
|--|----------------|----------------|
|  | 2002           | 2001           |
|  | HK\$'000       | HK\$'000       |
| <i>Authorised:</i>                             |                |                |
| 1,000,000,000 ordinary shares of HK\$0.10 each | <u>100,000</u> | <u>100,000</u> |
| <i>Issued and fully paid:</i>                  |                |                |
| 399,565,640 ordinary shares of HK\$0.10 each   | <u>39,956</u>  | <u>39,956</u>  |

### (a) Issue of shares

In the prior year, 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 was credited to the share premium account in the prior year. Further details of this transaction were set out in the Company's circular dated 25 April 2000.



# Notes to Financial Statements

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## 25. SHARE CAPITAL (continued)

### (a) Issue of shares (continued)

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

|   | Number<br>of shares       | HK\$'000             |
|---|---------------------------|----------------------|
| Balance at 1 April 2000                                     | 312,851,640               | 31,285               |
| Issued on acquisition of certain<br>subsidiaries of FSFH    | <u>86,714,000</u>         | <u>8,671</u>         |
| Balance at 31 March 2001, 1 April 2001<br>and 31 March 2002 | <u><u>399,565,640</u></u> | <u><u>39,956</u></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. Further details of the Scheme are set out under the heading "Share option scheme" in the Report of the Directors on page 24.

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

# Notes to Financial Statements

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## 26. RESERVES

| Group   | Share<br>premium<br>account<br>HK\$'000 | Capital/<br>(goodwill)<br>reserve<br>HK\$'000 | Revaluation<br>reserve<br>HK\$'000 | Long term<br>investment<br>valuation<br>reserve<br>HK\$'000 | Exchange<br>fluctuation<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|---|---|---|------------------------------------|---|--|---------------------------------|-------------------|
| At 1 April 2000:  |   |   |                                    |   |  |                                 |                   |
| As previously reported  | 207,397                                 | 4,553   | 28,239                             | 4,458   | 332  | 231,654                         | 476,633           |
| Prior year adjustment<br>arising on adoption of<br>SSAP 30 (notes 2 and 15)                                   | —                                       | 503   | 2,135                              | —   | —  | (2,638)                         | —                 |
| As restated   | 207,397                                 | 5,056   | 30,374                             | 4,458   | 332  | 229,016                         | 476,633           |
| Premium on issue of shares  | 117,238                                 | —   | —                                  | —   | —  | —                               | 117,238           |
| Goodwill arising on<br>acquisition of subsidiaries  | —                                       | (142,734)                                     | —                                  | —   | —  | —                               | (142,734)         |
| Negative goodwill arising<br>on acquisition of<br>additional interests<br>in an associate and<br>a subsidiary | —                                       | 2,837   | —                                  | —   | —  | —                               | 2,837             |
| Movement in fair value  | —                                       | —   | —                                  | (7,055)   | —  | —                               | (7,055)           |
| Release on disposal of<br>investment in securities<br>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<br>an associate by way<br>of dividend in specie  | —                                       | (3,315)                                       | —                                  | —   | 72   | 3,086                           | (157)             |
| Interim dividend  | —                                       | —   | —                                  | —   | —  | (6,393)                         | (6,393)           |
| Proposed final dividend   | —                                       | —   | —                                  | —   | —  | (11,987)                        | (11,987)          |
| At 31 March 2001  | 240,190                                 | (138,156)                                     | 30,374                             | (3,969)   | 1,188  | 253,377                         | 383,004           |

# Notes to Financial Statements

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## 26. RESERVES (continued)

| Group   | Share<br>premium<br>account<br>HK\$'000 | Goodwill<br>reserve<br>HK\$'000 | Revaluation<br>reserve<br>HK\$'000 | Long term<br>investment<br>valuation<br>reserve<br>HK\$'000 | Exchange<br>fluctuation<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|---|---|---------------------------------|------------------------------------|---|--|---------------------------------|-------------------|
| At 1 April 2001:  |   |                                 |                                    |   |  |                                 |                   |
| As previously reported  | 240,190                                 | (138,659)                       | 28,239                             | (3,969)   | 1,188  | 256,015                         | 383,004           |
| Prior year adjustment<br>arising on adoption of<br>SSAP 30 (notes 2 and 15) | —                                       | 503                             | 2,135                              | —   | —  | (2,638)                         | —                 |
| As restated   | 240,190                                 | (138,156)                       | 30,374                             | (3,969)   | 1,188  | 253,377                         | 383,004           |
| Movement in fair value  | —                                       | —                               | —                                  | 1,910   | —  | —                               | 1,910             |
| Exchange realignments   | —                                       | —                               | —                                  | —   | 50   | —                               | 50                |
| Net profit for the year   | —                                       | —                               | —                                  | —   | —  | 80,157                          | 80,157            |
| Interim dividend  | —                                       | —                               | —                                  | —   | —  | (7,991)                         | (7,991)           |
| Proposed final dividend   | —                                       | —                               | —                                  | —   | —  | (18,380)                        | (18,380)          |
| At 31 March 2002  | <u>240,190</u>                          | <u>(138,156)</u>                | <u>30,374</u>                      | <u>(2,059)</u>  | <u>1,238</u>                                   | <u>307,163</u>                  | <u>438,750</u>    |
| Reserves retained by:   |   |                                 |                                    |   |  |                                 |                   |
| Company and<br>subsidiaries   | 240,190                                 | (138,156)                       | 30,374                             | (2,059)   | 721  | 295,800                         | 426,870           |
| Associates  | —                                       | —                               | —                                  | —   | 517  | 11,363                          | 11,880            |
| At 31 March 2002  | <u>240,190</u>                          | <u>(138,156)</u>                | <u>30,374</u>                      | <u>(2,059)</u>  | <u>1,238</u>                                   | <u>307,163</u>                  | <u>438,750</u>    |
| Company and<br>subsidiaries   | 240,190                                 | (138,156)                       | 30,374                             | (3,969)   | 721  | 244,594                         | 373,754           |
| Associates  | —                                       | —                               | —                                  | —   | 467  | 8,783                           | 9,250             |
| At 31 March 2001  | <u>240,190</u>                          | <u>(138,156)</u>                | <u>30,374</u>                      | <u>(3,969)</u>  | <u>1,188</u>                                   | <u>253,377</u>                  | <u>383,004</u>    |

# Notes to Financial Statements

31 March 2002

## 26. 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.

Certain amounts of goodwill and negative goodwill arising on acquisition of subsidiaries and associates remain eliminated against and credited to the goodwill reserve and revaluation reserve as explained in note 15 to the financial statements.

| Company                                   | Long term          |                      | Retained<br>profits | Total    |
|---|--------------------|----------------------|---------------------|----------|
|   | Share              | investment           |                     |          |
|   | premium<br>account | valuation<br>reserve |                     |          |
|   | HK\$'000           | HK\$'000             | HK\$'000            | HK\$'000 |
| At 1 April 2000                           | 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) |
| Interim dividend                          | –                  | –                    | (6,393)             | (6,393)  |
| Proposed final dividend                   | –                  | –                    | (11,987)            | (11,987) |
| At 31 March 2001 and<br>beginning of year | 274,009            | (50)                 | 9,267               | 283,226  |
| Net profit for the year                   | –                  | –                    | 26,220              | 26,220   |
| Movement in fair value                    | –                  | 23                   | –                   | 23       |
| Interim dividend                          | –                  | –                    | (7,991)             | (7,991)  |
| Proposed final dividend                   | –                  | –                    | (18,380)            | (18,380) |
| At 31 March 2002                          | 274,009            | (27)                 | 9,116               | 283,098  |

# Notes to Financial Statements

31 March 2002

## 26. RESERVES (continued)

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, as detailed above.

## 27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

|   | Group    |          |
|---|----------|----------|
|   | 2002     | 2001     |
|   | HK\$'000 | HK\$'000 |
| Profit from operating activities                                      | 91,081   | 85,870   |
| Depreciation  | 16,822   | 17,504   |
| Loss on disposal of fixed assets                                      | 561      | 1,104    |
| Negative goodwill recognised as income                                | (50)     | –        |
| Interest income   | (4,074)  | (3,716)  |
| Dividend income from listed investments                               | (1,188)  | (1,623)  |
| Increase in amounts due from associates                               | (263)    | (405)    |
| Decrease in inventories   | 3,259    | 12,283   |
| Decrease/(increase) in trade receivables                              | 8,694    | (24,112) |
| Decrease in rental deposits   | 171      | 196      |
| Decrease/(increase) in prepayments, deposits<br>and other receivables | (6,635)  | 5,539    |
| Increase in trade payables and<br>accrued liabilities                 | 4,013    | 20,773   |
| Net cash inflow from operating activities                             | 112,391  | 113,413  |

# Notes to Financial Statements

31 March 2002

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

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

| Group  | Issued capital<br>(including<br>share premium<br>account)<br>HK\$'000 | Bank<br>and trust<br>receipt loans<br>HK\$'000 | Minority<br>interests<br>HK\$'000 |
|--|---|--|-----------------------------------|
| Balance at 1 April 2000                      | 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)                           |
| Dividends                                    | —   | —  | (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 and trust                   |   |  |                                   |
| receipt loans classified                     |   |  |                                   |
| as cash equivalents                          | —   | (27,308)                                       | —                                 |
| Balance at 31 March 2001<br>and 1 April 2001 | 280,146   | 271,743  | 21,094                            |
| Cash outflow from financing                  | —   | (13,632)                                       | —                                 |
| Share of loss for the year                   | —   | —  | (1,261)                           |
| Dividends                                    | —   | —  | (1,130)                           |
| Acquisition of a                             |   |  |                                   |
| non-wholly-owned subsidiary                  | —   | —  | 8,614                             |
| Decrease in bank and trust                   |   |  |                                   |
| receipts loans classified                    |   |  |                                   |
| as cash equivalents                          | —   | (12,637)                                       | —                                 |
| Balance at 31 March 2002                     | 280,146   | 245,474  | 27,317                            |

# Notes to Financial Statements

31 March 2002

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

### (c) Acquisition of subsidiaries

|   | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|------------------|------------------|
| Net assets acquired:                        |                  |                  |
| Fixed assets                                | 17,485           | 53,455           |
| Inventories                                 | 412              | 26,608           |
| Rental deposits                             | –                | 11,214           |
| Prepayments, deposits and other receivables | 1,095            | 8,469            |
| Trade receivables                           | 347              | 2,332            |
| Cash and bank balances                      | 7                | 12,225           |
| Deferred tax                                | –                | (22)             |
| Tax payable                                 | (11)             | (1,543)          |
| Due to a Group company                      | –                | (98,745)         |
| Trade payables and accrued liabilities      | (1,096)          | (13,456)         |
| Loan from a shareholder                     | –                | (16,538)         |
| Bank loan                                   | (659)            | –                |
| Bank overdrafts                             | –                | (4,573)          |
|   | <u>17,580</u>    | <u>(20,574)</u>  |
| Minority interests                          | (8,614)          | (12,779)         |
| Shareholder's loan acquired                 | –                | 16,538           |
| Goodwill on acquisition                     | –                | 142,734          |
| Negative goodwill on acquisition            | (1,005)          | –                |
|   | <u>7,961</u>     | <u>125,919</u>   |
| Satisfied by:                               |                  |                  |
| Cash  | 7,961            | 10               |
| Issuance of new shares                      | –                | 125,909          |
|   | <u>7,961</u>     | <u>125,919</u>   |

# Notes to Financial Statements

31 March 2002

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

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

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

|                                    | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|------------------------------------|------------------|------------------|
| Cash consideration                 | (7,961)          | (10)             |
| Cash and cash equivalents acquired | 7                | 12,225           |
| Bank loans and overdrafts acquired | (659)            | (4,573)          |
|                                    | <u>(8,613)</u>   | <u>7,642</u>     |

On 5 September 2001, the Group acquired a 51% equity interest in Li Fook (Qingdao) Foods Co., Ltd. ("Li Fook") from a third party. Li Fook is engaged in the manufacture of noodles. The purchase consideration for the acquisition was in the form of cash, with US\$1,020,000 (equivalent to HK\$7,961,000) being paid in full at the acquisition date.

Since its acquisition, Li Fook has had no significant impact on the Group's consolidated turnover, profit after tax and before minority interests or cash flows for the year.

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



# Notes to Financial Statements

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

### (d) Major non-cash transactions

- (i) In the prior 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.
- (ii) In the prior year, the Company paid a special dividend, by way of a dividend in specie, as further detailed in note 12.
- (iii) In the prior 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.

## 28. CONTINGENT LIABILITIES

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

|   | Group         |               | Company          |                |
|---|---------------|---------------|------------------|----------------|
|   | 2002          | 2001          | 2002             | 2001           |
|   | HK\$'000      | HK\$'000      | HK\$'000         | HK\$'000       |
| Bank guarantees given in lieu of utility and property rental deposits | 2,260         | 3,533         | —                | —              |
| Guarantees given to banks in connection with facilities granted to:   |               |               |                  |                |
| Subsidiaries  | —             | —             | 1,043,790        | 964,142        |
| Associates  | 25,788        | 28,270        | 25,788           | 28,270         |
|   | <u>28,048</u> | <u>31,803</u> | <u>1,069,578</u> | <u>992,412</u> |

# Notes to Financial Statements

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## 28. CONTINGENT LIABILITIES (continued)

At 31 March 2002, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK\$243,515,000 (2001: HK\$267,619,000) and, in connection with the facilities granted by the Group to associates, were utilised to the extent of approximately HK\$22,080,000 (2001: HK\$24,893,000).

## 29. OPERATING LEASE COMMITMENTS

The Group leases certain land and buildings under operating lease arrangements, with leases negotiated for terms of 1 to 3 years.

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

|   | <b>Group</b>    |            |
|---|-----------------|------------|
|   | <b>2002</b>     | 2001       |
|   | <b>HK\$'000</b> | HK\$'000   |
|   |                 | (Restated) |
| Within one year                         | <b>37,607</b>   | 33,241     |
| In the second to fifth years, inclusive | <b>28,589</b>   | 34,711     |
|   | <b>66,196</b>   | 67,952     |

SSAP 14 (Revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts have been restated to accord with the current year's presentation.

# Notes to Financial Statements

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## 30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following commitment at the balance sheet date:

|                                    | 2002<br><i>HK\$'000</i> | 2001<br><i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Forward foreign exchange contracts | <u>64,981</u>           | <u>11,976</u>           |

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

## 31. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 16 April 2002, Four Seas China Holdings Limited, a wholly-owned subsidiary of the Group, entered into a share transfer agreement with Guangdong Yantang Enterprises Corporation to acquire a 49% equity interest in Guangdong Four Seas-Yantang Frozen Food Products Company Limited ("Four Seas Yantang"), at a consideration of RMB2,695,000 (equivalent to approximately HK\$2,542,000). The transaction was completed on 16 April 2002, at which date Four Seas Yantang became a wholly-owned subsidiary of the Group.

Further details of this transaction are set out in the Group's press announcement dated 16 April 2002.

# Notes to Financial Statements

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## 32. RELATED PARTY TRANSACTIONS

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

|   | Notes | 2002<br>HK\$'000 | 2001<br>HK\$'000 |
|---|-------|------------------|------------------|
| Purchases of goods from associates  | (i)   | 225,685          | 234,764          |
| Sales of goods to associates  | (i)   | 48,983           | 16,924           |
| Purchase of additional interest in a subsidiary from a minority shareholder | (ii)  | –                | 950              |
| Rental paid to a related company  | (iii) | –                | 926              |

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 cost of the additional interest in a subsidiary was determined by reference to the minority shareholder's capital contribution to the subsidiary.
- (iii) The rental paid to a related company was determined by reference to the estimated market rental.

Details of the amount due from associates to the Group at the balance sheet date are included in note 17 to the financial statements.

Details of the Group's trade balances with its associates at the balance sheet date are disclosed in notes 20 and 22 to the financial statements.

- (b) The Company has executed guarantees in favour of certain banks for banking facilities granted to associates to the extent of HK\$25,788,000 (2001: HK\$28,270,000), as further detailed in note 28 to the financial statements.

# *Notes to Financial Statements*

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## **33. COMPARATIVE AMOUNTS**

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

## **34. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 24 July 2002.